

**CITY OF SPRINGDALE, ARKANSAS**

**December 31, 2008**

**Financial Statements  
And  
Supplemental Schedules**

**With**

**Independent Auditors' Report**

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CITY OF SPRINGDALE, ARKANSAS

List of Elected and Appointed Officials

December 31, 2008

**Elected Officials:**

Mayor	Jerre M. Van Hoose
City Clerk/Treasurer	Denise Pearce
City Attorney	Jeff Harper
District Judge	Stanley W. Ludwig
Council Member – Ward 1	Jim Reed
Council Member – Ward 1	Kathy Jaycox
Council Member – Ward 2	Mike Overton
Council Member – Ward 2	Ricky C. Evans
Council Member – Ward 3	Jeff Watson
Council Member – Ward 3	Jesse Core
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Bobby Stout

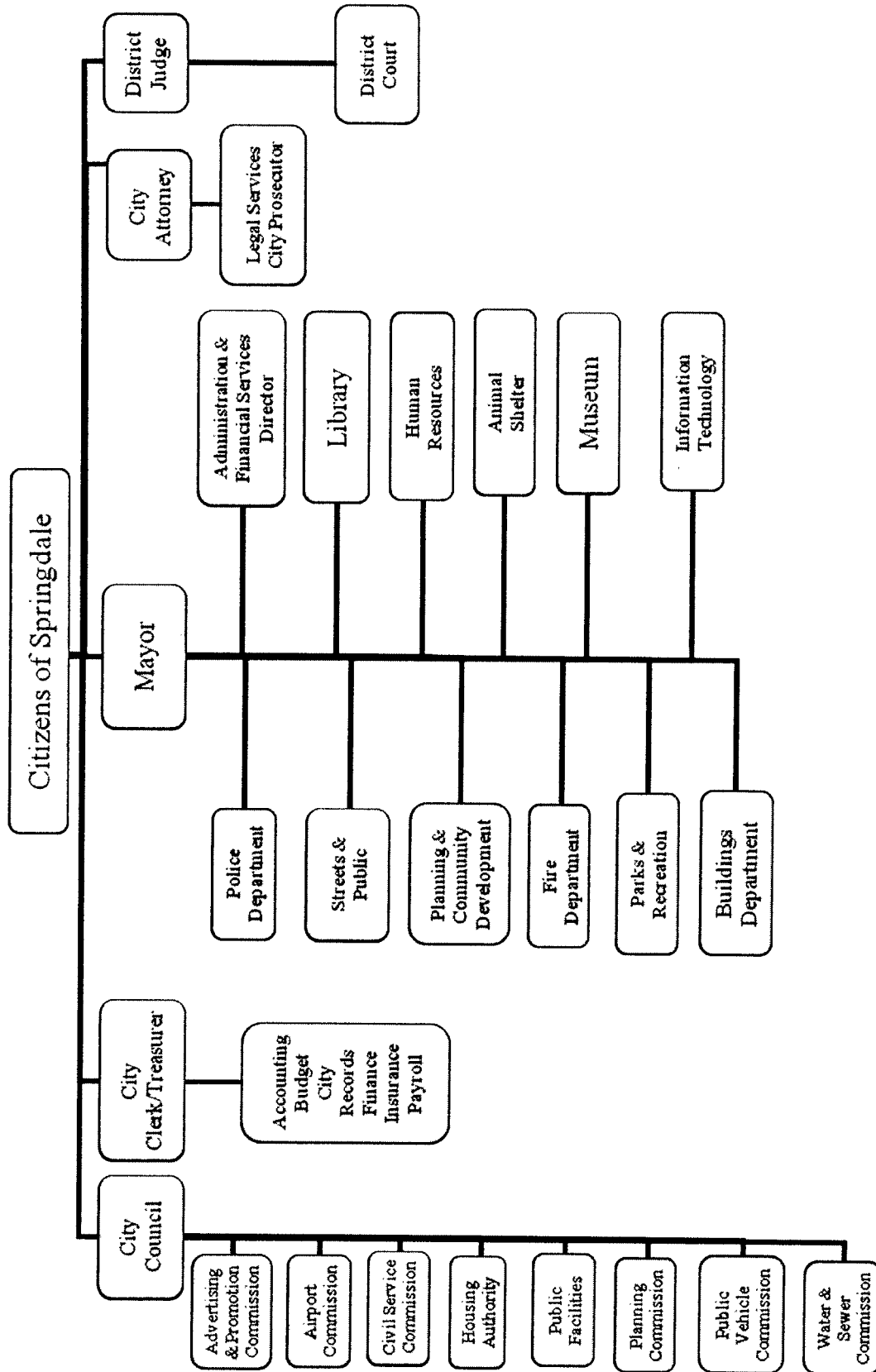
**Appointed Officials:**

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Lindsey Droste
Chief Building Official	Mike Chamlee
Finance	Laura Favorite
Fire Chief	Duane Atha
Human Resources	David Tritt
Information Technology	Mark Gutte
Library	Marcia Ransom
Museum	Allyn Lord
Acting Parks and Recreation	Rick McWhorter
Planning and Community Development	Patsy Christie
Police Chief	Kathy O'Kelley
Public Works	Sam Goade
Water and Wastewater	Rene Langston

CITY OF SPRINGDALE, ARKANSAS

Organizational Chart

December 31, 2008



### Independent Auditors' Report

Honorable Mayor and City Council  
City of Springdale, Arkansas  
Springdale, Arkansas

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We audited the financial statements of the City of Springdale, Arkansas Water and Sewer Commission as of and for the year ended September 30, 2008, which represents 100% of the assets and revenues of the discrete component unit columns.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the financial statements, in 2008, the City changed its method of accounting for postemployment benefits other than pensions and its method of disclosures of pension information by implementing Governmental Accounting Standards Board ("GASB") No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" and GASB No. 50, "Pension Disclosures."

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, pension plan information, and budgetary comparison schedules, as listed in the accompanying table of contents, are not a required part of the financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is also not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information on pages 73 through 94 described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.

*FROST, PLLC*

Certified Public Accountants

Little Rock, Arkansas  
September 28, 2009

**Management's Discussion and Analysis****December 31, 2008**

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2008 is provided for the readers of the financial statements to consider in conjunction with all other information provided in this report.

**Financial Highlights**

- Total assets of the City of Springdale exceeded total liabilities at the close of 2008 by \$228,285,270 (net assets). Of this amount, \$6,027,935 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$5,975,396 and may be used to meet the obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities have an unrestricted balance of \$52,539 that may be used to meet the on-going obligations of the City's municipal airport, aquatic center activities and other nonmajor proprietary funds.
- The City's total net assets increased by \$7,883,303 in 2008. Net assets of the governmental activities increased by \$8,269,018 in 2008, which was a 4% increase over beginning net assets. Net assets of the business-type activities decreased by \$385,715 in 2008, which was a 5% decrease over beginning net assets.
- At the close of 2008, the City of Springdale's governmental funds reported a combined ending fund balance of \$55,737,220, which reflects a decrease of \$40,130,250 from the prior year, mainly due to capital expenditures from funds received from the sale of bonds. The unreserved portion of the combined fund balance is \$20,480,009, which represents 37% of the total. The unreserved portion is available for use to support operations, funding for special projects and equipment replacement funding.
- At the end of 2008, the unreserved fund balance of the General Fund was \$2,945,211, or 11% of total General Fund expenditures. There was a decrease of \$2,074,610 in the total General Fund balance for the year ended December 31, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Springdale's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

## Management's Discussion and Analysis (cont.)

December 31, 2008

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, capital projects, community development, culture and recreation, economic development, public safety and public works. The business-type activities of the City include municipal airport, aquatic center, parks soccer program and city attorney restitution.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate *component units* for which the City is financially accountable:

- Springdale Water and Sewer Commission
- Springdale Public Library Board Foundation

Financial information for the Springdale Water and Sewer Commission is reported as a discrete *component unit* separately from the financial information presented for the primary government itself.

The government-wide financial statements are located on pages 14 and 15 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, propriety funds and fiduciary funds.

**Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Management's Discussion and Analysis (cont.)****December 31, 2008**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Street Fund, Sales and Use Tax Fund, Street Improvement Bonds Construction Funds, Baseball Stadium Construction Fund and Debt Service Fund. Data from the remaining 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements are located on pages 16 through 19 of this report.

**Proprietary funds** – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains a single proprietary fund type, an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

**Fiduciary funds** – *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

**Notes to the basic financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are located on pages 25 through 65 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees, and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 66 through 72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 73 through 94 of this report.

## Management's Discussion and Analysis (cont.)

December 31, 2008

## Government – Wide Financial Analysis

City of Springdale, Arkansas  
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 71,012,600	\$ 118,411,088	\$ 153,272	\$ 219,279	\$ 71,165,872	\$ 118,630,367
Capital assets	<u>279,473,991</u>	<u>237,293,783</u>	<u>7,483,738</u>	<u>7,813,978</u>	<u>286,957,729</u>	<u>245,107,761</u>
Total assets	<u>350,486,591</u>	<u>355,704,871</u>	<u>7,637,010</u>	<u>8,033,257</u>	<u>358,123,601</u>	<u>363,738,128</u>
Current liabilities	14,323,276	17,932,071	76,485	92,065	14,399,761	18,024,136
Other liabilities	<u>115,414,322</u>	<u>125,088,404</u>	<u>24,248</u>	<u>19,200</u>	<u>115,438,570</u>	<u>125,107,604</u>
Total liabilities	<u>129,737,598</u>	<u>143,020,475</u>	<u>100,733</u>	<u>111,265</u>	<u>129,838,331</u>	<u>143,131,740</u>
Net assets						
Invested in capital assets, net of related debt	176,604,057	131,946,499	7,483,738	7,813,978	184,087,795	139,760,477
Restricted	38,169,540	44,529,262	-	-	38,169,540	44,529,262
Unrestricted	<u>5,975,396</u>	<u>36,208,635</u>	<u>52,539</u>	<u>108,014</u>	<u>6,027,935</u>	<u>36,316,649</u>
Total net assets	<u>\$ 220,748,993</u>	<u>\$ 212,684,396</u>	<u>\$ 7,536,277</u>	<u>\$ 7,921,992</u>	<u>\$ 228,285,270</u>	<u>\$ 220,606,388</u>

Of the City's net assets, \$184,087,795 (80%) reflects its investments in capital assets (e.g. land, buildings, machinery, infrastructure and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net assets (\$38,169,540 or 17%) represents resources that are subject to restrictions as to how they may be used. The balance of unrestricted net assets (\$6,027,935 or 3%) may be used to meet the government's ongoing obligations to citizens and creditors.

It is important to note that although the total spendable unrestricted net assets are \$6,027,935, the net assets of the City's business-type activities (\$52,539) may not be used to fund governmental activities.

**Governmental activities** – Governmental activities increased the City's net assets by \$8,269,018. The main elements of this increase are:

- Expenditures for capital outlays exceeded depreciation expense by \$42,786,913 and were the most significant cause for the increase in the City's net assets.
- The increase in the City's net assets was partially offset by a decrease in the fund balances of the three construction funds of \$41,298,423.

Sales taxes provided \$29,402,814 (51%) of the City's governmental revenue in 2008 while operating grants and contributions added \$7,288,482 (13%) and capital grants and contributions provided \$5,988,263 (10%).

## Management's Discussion and Analysis (cont.)

December 31, 2008

**Business-type activities** – Business-type activities decreased the City's net assets by \$385,715.

Aquatic center revenues of \$215,385 provided 28% of total revenues of business-type activities while current year expenses of \$405,578 were 36% of total expenses. Aquatic center depreciation expense for 2008 was \$186,002.

The municipal airport revenues of \$288,976 provided 37% of total revenues for business-type activities for 2008 while current year expenses of \$518,104 were 46% of total expenses.

City of Springdale, Arkansas  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues						
Fees, fines and charges for services	\$ 4,155,235	\$ 4,070,806	\$ 728,417	\$ 620,484	\$ 4,883,652	\$ 4,691,290
Operating grants and contributions	7,288,482	7,403,511	5,610	9,988	7,294,092	7,413,499
Capital grants and contributions	5,988,263	2,078,813	31,823	485,565	6,020,086	2,564,378
Total program revenues	17,431,980	13,553,130	765,850	1,116,037	18,197,830	14,669,167
General revenues						
Sales tax	29,402,814	31,413,013	-	-	29,402,814	31,413,013
Ad valorem tax	5,560,351	5,531,397	-	-	5,560,351	5,531,397
Franchise tax	3,350,352	3,057,960	-	-	3,350,352	3,057,960
Hotel/motel tax	252,695	279,917	-	-	252,695	279,917
Investment earnings	1,404,074	6,596,979	15,896	22,082	1,419,970	6,619,061
Gain on sale of assets	75,081	62,521	1,300	92	76,381	62,613
Loss on bond refunding	(32,288)	(32,288)	-	-	(32,288)	(32,288)
Endowment contributions	-	7,021	-	-	-	7,021
Total general revenues	40,013,079	46,916,520	17,196	22,174	40,030,275	46,938,694
Total revenues	57,445,059	60,469,650	783,046	1,138,211	58,228,105	61,607,861
<b>Expenses</b>						
General government	\$ 3,857,154	\$ 3,957,526	\$ -	\$ -	\$ 3,857,154	\$ 3,957,526
Community government	1,257,744	1,383,311	-	-	1,257,744	1,383,311
Culture and recreation	6,459,180	4,432,718	-	-	6,459,180	4,432,718
Economic development	311,714	336,626	-	-	311,714	336,626
Public safety	21,435,410	19,996,434	-	-	21,435,410	19,996,434
Public works	10,747,419	8,836,763	-	-	10,747,419	8,836,763
Interest on long-term debt	5,019,531	5,290,655	-	-	5,019,531	5,290,655
Issue costs and agent fees -						
long-term debt	121,889	303,688	-	-	121,889	303,688
Municipal airport	-	-	518,104	495,332	518,104	495,332
Aquatic center	-	-	405,578	380,835	405,578	380,835
Parks soccer program	-	-	124,139	89,795	124,139	89,795
Sanitation	-	-	83,577	43,146	83,577	43,146
City attorney restitution	-	-	3,363	3,089	3,363	3,089
Total expenses	49,210,041	44,537,721	1,134,761	1,012,197	50,344,802	45,549,918

## Management's Discussion and Analysis (cont.)

December 31, 2008

Increase (decrease) in net assets before transfers	\$ 8,235,018	\$ 15,931,929	\$ (351,715)	\$ 126,014	\$ 7,883,303	\$ 16,057,943
Transfers	<u>34,000</u>	<u>(46,112)</u>	<u>(34,000)</u>	<u>46,112</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	8,269,018	15,885,817	(385,715)	172,126	7,883,303	16,057,943
Net assets - January 1, as restated	<u>212,479,975</u>	<u>196,594,158</u>	<u>7,921,992</u>	<u>7,749,866</u>	<u>220,401,967</u>	<u>204,344,024</u>
Net assets - December 31	<u>\$ 220,748,993</u>	<u>\$ 212,479,975</u>	<u>\$ 7,536,277</u>	<u>\$ 7,921,992</u>	<u>\$ 228,285,270</u>	<u>\$ 220,401,967</u>

**Financial Analysis of the Government's Funds**

The City of Springdale uses fund accounting to ensure and demonstrate compliance with finance related requirements.

**Government funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2008, the City's governmental funds combined fund balance was \$55,737,220, which reflects a decrease of \$40,130,250 from the prior year end. The reduction is due primarily to the expenditure of bond proceeds for capital projects. \$20,431,247 (37%) of the year end combined fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, restricted by statute or for other purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2008, the total fund balance of the General Fund was \$3,638,385, of which \$2,945,211 (81%) was unreserved. This unreserved fund balance represents approximately 11% of the total General Fund expenditures for the year ended December 31, 2008.

During the 2008 fiscal year, the fund balance of the General Fund decreased by \$2,074,610. A general increase in expenses and a reduction in revenue is the primary reason for the reduction in the fund balance of the General Fund. The 2009 adopted budget anticipates an increase of \$463,700 in the unreserved General Fund balance by the end of the year.

The sales and use tax fund is a special revenue fund that is presented as a major fund and accounts for 34% of the total governmental fund balances. Revenues include a one percent (1%) local sales tax of which seventy-five percent (75%) has been in the past dedicated to capital improvement projects.

The street improvement construction funds provided 29% of the total governmental fund balances at December 31, 2008. Funds were provided for these funds by the issuance of \$60,000,000 of special revenue bonds during 2004 and \$45,000,000 during 2006.

## Management's Discussion and Analysis (cont.)

December 31, 2008

**Proprietary funds** – The City's proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

At December 31, 2008 net assets of the municipal airport fund were \$4,663,590 and net assets of the aquatic center fund were \$2,607,546. These two funds account for 96% of the net assets total of all proprietary funds.

**Budgetary Highlights**

General Fund budgeted revenue was \$21,758,403 and actual revenue received was \$22,569,169. The excess of \$810,766 over the projected budget was due to an increase in ad valorem taxes collected and an increase in revenue from ambulance fees. General Fund expenditures of \$26,403,396 were 99% of the budgeted expenses of \$26,733,116. The budget and actual comparison schedules are located on pages 68 through 71 and 80 through 93.

**Capital Assets**

The City's investment in capital assets for governmental and business-type activities as of December 31, 2008 amounts to \$286,957,729. The increase for governmental activities was \$42,384,629 (18%). The City's investment in capital assets related to business-type activities decreased by \$330,240 (4%).

Major capital asset events during 2008 included the following:

- Completion of Arvest Ball Park.
- Completion of the Don Tyson Parkway from Carley Road to Turner Street, part of the City's east-west southern corridor.

Additional information on the City's capital assets is located in Note 4 on pages 41 through 43 of this report.

City of Springdale, Arkansas  
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and easements	\$ 47,684,358	\$ 42,217,755	\$ 2,767,944	\$ 2,279,586	\$ 50,452,302	\$ 44,497,341
Land improvements	6,639,659	3,103,651	2,130,757	2,272,556	8,770,416	5,376,207
Buildings and improvements	49,934,337	14,429,238	2,318,513	2,472,551	52,252,850	16,901,789
Construction in progress	59,863,411	78,418,630	10,214	473,064	59,873,625	78,891,694
Infrastructure	101,684,779	88,896,651	-	-	101,684,779	88,896,651
Machinery and equipment	13,460,338	9,772,163	256,310	316,221	13,716,648	10,088,384
Intangibles	207,109	251,274	-	-	207,109	251,274
<b>Total</b>	<b>\$ 279,473,991</b>	<b>\$ 237,089,362</b>	<b>\$ 7,483,738</b>	<b>\$ 7,813,978</b>	<b>\$ 286,957,729</b>	<b>\$ 244,903,340</b>

**Management's Discussion and Analysis (cont.)****December 31, 2008****Long-Term Debt**

The City of Springdale held a special election on August 12, 2003 that resulted in the authorization of an additional one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$105,000,000. These bonds were authorized for the right-of-way acquisition and construction of new streets, roads and bridges or improvements to existing streets, roads and bridges. On June 22, 2004, the City Council authorized the first bond series and in July of 2004, \$60,000,000 in bonds was issued. The additional one percent (1%) sales tax is dedicated to the retirement of these bonds.

The City of Springdale held a special election on July 11, 2006 that authorized a one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$137,000,000. Of these bonds, \$42,000,000 were authorized for the refunding of the 2004 bonds still outstanding, \$45,000,000 were authorized to complete the transportation projects started with the 2004 bond proceeds and \$50,000,000 of bonds were to provide for the construction of a baseball stadium. The sales tax rate for Springdale was not increased by this election. The one percent (1%) sales tax authorized in 2003 was replaced by the one percent (1%) sales tax authorized by this election. The City retired \$5,810,000 of these bonds during the year leaving a balance at December 31, 2008 of \$114,875,000.

The City issued bonds on September 18, 2001 to finance a portion of the costs of an expansion to the waste water treatment plant. Net water and sewer revenues are pledged for the payment of these bonds. The City retired \$2,055,000 of these bonds during the year leaving a balance at September 30, 2008 of \$2,135,000. The final principal payment on the 2001 bonds is scheduled for September 1, 2009. On June 27, 2006, the City Council authorized the issuance of an additional \$3,600,000 of Water and Sewer Revenue Bonds for additional improvements. These additional bonds were issued on August 10, 2006 and the final principal payment is scheduled for September 1, 2026. The City retired \$40,000 of these bonds during the year leaving a balance at September 30, 2008 of \$3,505,000.

Additional information on the City's long-term debt can be found in Note 5 located on pages 44 through 48 of this report.

**Economic Factors and the Next Year's Budget**

The unemployment rate of December 2008 for the Fayetteville-Springdale-Rogers MSA was 4.6% which compared favorably to the state's average unemployment rate of 6.2%. During 2008, total nonfarm jobs for this MSA declined by 2,500 to end the year at 207,500.

City one percent (1%) sales tax revenue received in 2008 for the sales and use tax fund decreased by 8.9% when compared to sales tax revenue received in 2007. The collection of an additional one percent sales tax for debt service was started in October of 2003. This additional tax provided \$10,343,616 in revenue during 2008.

The City Council adopted the 2009 budget on January 29, 2009 with General Fund projected revenues of \$28,784,680 and projected expenditures and transfers of \$28,328,980.

**Management's Discussion and Analysis (cont.)**

**December 31, 2008**

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration and Financial Services Director, 201 Spring Street, Springdale, Arkansas 72764.

General information relating to the City of Springdale, Arkansas can be found on the City's website, <http://www.springdalear.gov>.

## Statement of Net Assets

December 31, 2008

Assets	Primary Government			Discrete Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and cash equivalents	\$ 5,706,513	\$ 319,098	\$ 6,025,611	\$ 97,451
Investments	18,142,840	300,000	18,442,840	-
Accounts receivable, net of allowance for uncollectibles	2,382,089	34,574	2,416,663	3,638,752
Intergovernmental receivables	9,503,819	-	9,503,819	-
Internal balances	511,800	(511,800)	-	-
Due from fiduciary funds	94,325	-	94,325	-
Inventories	-	-	-	445,993
Prepaid assets	-	-	-	72,400
Assets held for resale	1,119,593	-	1,119,593	-
Unamortized bond/lease costs	1,609,078	-	1,609,078	51,859
Deferred loss on bond refunding	605,410	-	605,410	-
Accounts receivable, due in more than one year	-	11,400	11,400	-
Restricted assets				
Cash and cash equivalents	26,164,375	-	26,164,375	1,608,088
Investments	3,525,702	-	3,525,702	28,999,269
Interest receivable	55,568	-	55,568	889,825
Intergovernmental receivables	1,591,488	-	1,591,488	-
Capital assets				
Nondepreciable	108,017,679	2,778,158	110,795,837	11,773,053
Depreciable, net of accumulated depreciation	<u>171,456,312</u>	<u>4,705,580</u>	<u>176,161,892</u>	<u>169,796,968</u>
Total assets	<u>\$ 350,486,591</u>	<u>\$ 7,637,010</u>	<u>\$ 358,123,601</u>	<u>\$ 217,373,658</u>

Liabilities and Net Assets

Liabilities				
Accounts payable and accrued expenses	\$ 7,115,984	\$ 66,888	\$ 7,182,872	\$ 536,471
Due to fiduciary funds	55,034	-	55,034	-
Accrued interest payable	2,588,175	-	2,588,175	16,608
Current portion of long-term debt	4,050,000	-	4,050,000	2,190,000
Customer deposits	459,916	-	459,916	1,454,757
Deferred revenue	54,167	9,597	63,764	-
Noncurrent liabilities				
Due within one year	225,342	9,445	234,787	22,878
Due in more than one year	<u>115,188,980</u>	<u>14,803</u>	<u>115,203,783</u>	<u>3,450,000</u>
Total liabilities	<u>129,737,598</u>	<u>100,733</u>	<u>129,838,331</u>	<u>7,670,714</u>
Net assets				
Invested in capital assets, net of related debt	176,604,057	7,483,738	184,087,795	175,907,143
Restricted for				
Capital projects	28,716,157	-	28,716,157	-
Debt service	6,263,238	-	6,263,238	-
Other	3,190,145	-	3,190,145	31,445,323
Unrestricted	<u>5,975,396</u>	<u>52,539</u>	<u>6,027,935</u>	<u>2,350,478</u>
Total net assets	<u>\$ 220,748,993</u>	<u>\$ 7,536,277</u>	<u>\$ 228,285,270</u>	<u>\$ 209,702,944</u>

The accompanying notes are an integral part of these financial statements.

## Statement of Activities

For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government								
Administration	\$ 2,474,212	\$ 184,701	\$ 1,077,905	\$ -	\$ (1,211,606)	\$ -	\$ (1,211,606)	\$ -
City attorney	691,314	25,127	-	-	(666,187)	-	(666,187)	-
District court	633,295	145,988	74,520	-	(412,787)	-	(412,787)	-
Bluff cemetery	58,333	31,480	22,496	-	(4,357)	-	(4,357)	-
Capital projects	-	8,568	2,042	1,167,792	1,178,402	-	1,178,402	-
Community development								
Planning and engineering	771,012	42,850	2,769	-	(725,393)	-	(725,393)	-
Community development and housing	486,732	58,094	473,001	-	44,363	-	44,363	-
Culture and recreation								
Parks and recreation	3,907,896	478,458	86,019	99,225	(3,244,194)	-	(3,244,194)	-
Public library	1,943,434	98,247	914,178	-	(931,009)	-	(931,009)	-
Shuloh museum	607,850	31,542	39,584	116,687	(420,037)	-	(420,037)	-
Economic development	311,714	150,000	-	79,000	(82,714)	-	(82,714)	-
Public safety								
Animal services	512,207	62,134	22,586	-	(427,487)	-	(427,487)	-
Building inspection and code enforcement	880,869	437,099	10,000	-	(433,770)	-	(433,770)	-
Fire	9,093,273	1,300,007	852,472	-	(6,940,794)	-	(6,940,794)	-
Police	10,949,061	1,045,308	825,779	7,750	(9,070,224)	-	(9,070,224)	-
Public works	10,747,419	55,632	2,885,131	4,517,809	(3,288,847)	-	(3,288,847)	-
Debt service								
Interest on long-term debt	5,019,531	-	-	-	(5,019,531)	-	(5,019,531)	-
Issue costs and fees - long-term debt	121,889	-	-	-	(121,889)	-	(121,889)	-
<b>Total governmental activities</b>	<u>49,210,041</u>	<u>4,155,235</u>	<u>7,288,482</u>	<u>5,988,263</u>	<u>(31,778,061)</u>	<u>-</u>	<u>(31,778,061)</u>	<u>-</u>
<b>Business-type activities</b>								
Municipal airport	518,104	287,676	-	31,823	-	(198,605)	(198,605)	-
Aquatic center	405,578	201,760	14	-	-	(203,804)	(203,804)	-
Parks soccer program	124,139	106,806	5,596	-	-	(11,737)	(11,737)	-
Sanitation	83,577	102,980	-	-	-	19,403	19,403	-
City attorney restitution	3,363	29,195	-	-	-	25,832	25,832	-
<b>Total business-type activities</b>	<u>1,134,761</u>	<u>728,417</u>	<u>5,610</u>	<u>31,823</u>	<u>-</u>	<u>(368,911)</u>	<u>(368,911)</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 50,344,802</u>	<u>\$ 4,883,652</u>	<u>\$ 7,294,092</u>	<u>\$ 6,020,086</u>	<u>(31,778,061)</u>	<u>(368,911)</u>	<u>(32,146,972)</u>	<u>-</u>
<b>Component unit</b>								
Springdale water utilities	<u>\$ 19,717,973</u>	<u>\$ 24,641,546</u>	<u>\$ -</u>	<u>\$ 9,944,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,868,408</u>
General revenues and transfers								
Sales tax					29,402,814	-	29,402,814	-
Ad valorem tax					5,560,351	-	5,560,351	-
Franchise tax					3,350,352	-	3,350,352	-
Hotel/motel tax					252,695	-	252,695	-
Investment earnings					1,404,074	15,896	1,419,970	1,425,040
Interest expenses and other charges					-	-	-	(319,267)
Gain on sale of assets					75,081	1,300	76,381	13,813
Loss on bond refunding					(32,288)	-	(32,288)	-
Transfers					34,000	(34,000)	-	-
<b>Total general revenues and transfers</b>					<u>40,047,079</u>	<u>(16,804)</u>	<u>40,030,275</u>	<u>1,119,586</u>
Changes in net assets					8,269,018	(385,715)	7,883,303	15,987,994
Net assets - beginning of year, as restated					<u>212,479,975</u>	<u>7,921,992</u>	<u>220,401,967</u>	<u>193,714,950</u>
Net assets - end of year					<u>\$ 220,748,993</u>	<u>\$ 7,536,277</u>	<u>\$ 228,285,270</u>	<u>\$ 209,702,944</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Balance Sheet – Governmental Funds**

**December 31, 2008**

<u>Assets</u>	General Fund	Street Fund	Sales and Use Tax Fund	2004 Street Improvement Bonds Construction Fund
Cash and cash equivalents	\$ 1,545,065	\$ 310,197	\$ 2,571,121	\$ -
Investments	700,000	100,000	13,100,000	-
Accounts receivable, net	2,266,861	7,348	-	-
Interest receivable	4,966	112	61,066	-
Intergovernmental receivables, net	6,722,918	1,169,933	1,591,488	-
Due from other funds	975,512	5,934	2,687,900	-
Assets held for resale	-	-	-	-
Other assets	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	221,269
Investments	-	-	-	-
Interest receivable	-	-	-	-
Intergovernmental receivables, net	-	-	-	-
<b>Total assets</b>	<b><u>\$ 12,215,322</u></b>	<b><u>\$ 1,593,524</u></b>	<b><u>\$ 20,011,575</u></b>	<b><u>\$ 221,269</u></b>
<u>Liabilities and Fund Balance</u>				
<b>Liabilities</b>				
Accounts payable	\$ 334,320	\$ 134,537	\$ 351,999	\$ -
Salaries payable	561,326	52,515	-	-
Due to other funds	2,688,727	-	403,822	-
Developer bonds payable	445,228	-	-	-
Other liabilities	13,304	14,688	-	-
Deferred revenue	4,534,032	870,955	-	-
<b>Total liabilities</b>	<b><u>8,576,937</u></b>	<b><u>1,072,695</u></b>	<b><u>755,821</u></b>	<b><u>-</u></b>
<b>Fund balances</b>				
Reserved				
Assets held for resale	-	-	-	-
Debt service	-	-	-	-
Cemetery perpetual care	-	-	-	-
Court automation	-	-	-	-
Endowments	-	-	-	-
Grant expenditures	-	-	-	-
Public safety expenditures	588,044	-	-	-
Capital projects	105,130	-	6,600,000	221,269
Unreserved				
Designated for				
Benevolent funds	26,126	-	-	-
Recreation and culture	14,600	-	-	-
Undesignated, reported in				
General fund	2,904,485	-	-	-
Special revenue funds	-	520,829	-	-
Capital project funds	-	-	12,655,754	-
Permanent funds	-	-	-	-
<b>Total fund balances</b>	<b><u>3,638,385</u></b>	<b><u>520,829</u></b>	<b><u>19,255,754</u></b>	<b><u>221,269</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 12,215,322</u></b>	<b><u>\$ 1,593,524</u></b>	<b><u>\$ 20,011,575</u></b>	<b><u>\$ 221,269</u></b>

2006 Street Improvement Bonds Construction Fund	Baseball Stadium Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,280,130	\$ 5,706,513
-	-	-	4,242,840	18,142,840
-	-	-	34,725	2,308,934
-	-	-	7,011	73,155
-	-	-	19,480	9,503,819
-	-	-	51,268	3,720,614
-	-	-	1,119,593	1,119,593
-	-	-	42,500	42,500
17,489,963	1,193,218	7,259,925	-	26,164,375
3,525,702	-	-	-	3,525,702
55,568	-	-	-	55,568
-	-	1,591,488	-	1,591,488
<u>\$ 21,071,233</u>	<u>\$ 1,193,218</u>	<u>\$ 8,851,413</u>	<u>\$ 6,797,547</u>	<u>\$ 71,955,101</u>
\$ 5,196,633	\$ 325,050	\$ -	\$ 114,132	\$ 6,456,671
-	-	-	45,472	659,313
53,886	-	-	23,088	3,169,523
-	-	-	-	445,228
-	-	-	-	27,992
-	-	-	54,167	5,459,154
<u>5,250,519</u>	<u>325,050</u>	<u>-</u>	<u>236,859</u>	<u>16,217,881</u>
-	-	-	1,119,593	1,119,593
-	-	8,851,413	-	8,851,413
-	-	-	41,475	41,475
-	-	-	158,824	158,824
-	-	-	818,536	818,536
-	-	-	64,045	64,045
-	-	-	-	588,044
15,820,714	868,168	-	-	23,615,281
-	-	-	-	26,126
-	-	-	8,036	22,636
-	-	-	-	2,904,485
-	-	-	511,170	1,031,999
-	-	-	2,823,398	15,479,152
-	-	-	1,015,611	1,015,611
<u>15,820,714</u>	<u>868,168</u>	<u>8,851,413</u>	<u>6,560,688</u>	<u>55,737,220</u>
<u>\$ 21,071,233</u>	<u>\$ 1,193,218</u>	<u>\$ 8,851,413</u>	<u>\$ 6,797,547</u>	<u>\$ 71,955,101</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets****December 31, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Total fund balances - governmental funds	\$ 55,737,220
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	279,431,491
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, those revenues are recognized regardless of when they are collected.	5,404,987
Some assets related to long-term debt are deferred and, therefore, are not reported in the funds.	2,214,488
Some long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	<u>(122,039,193)</u>
Net assets of governmental funds	<u>\$ 220,748,993</u>

**CITY OF SPRINGDALE, ARKANSAS**

**Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds**

**For the Year Ended December 31, 2008**

	General Fund	Street Fund	Sales and Use Tax Fund	2004 Street Improvement Bonds Construction Fund
Revenues				
Taxes	\$ 16,354,667	\$ 821,760	\$ 10,343,616	\$ -
Fees and permits	555,754	3,597	-	-
Intergovernmental	2,723,871	2,867,830	-	-
Charges for goods and services	1,445,716	47,685	-	-
Fines and forfeitures	868,102	-	-	-
Investment earnings (losses)	65,183	10,666	481,786	5,738
Miscellaneous	555,876	5,684	9,633	-
Total revenues	<u>22,569,169</u>	<u>3,757,222</u>	<u>10,835,035</u>	<u>5,738</u>
Expenditures				
Current				
General government	2,953,050	-	-	-
Community development	757,104	-	-	-
Culture and recreation	1,926,937	-	-	-
Economic development	-	-	-	-
Public safety	19,971,268	-	-	-
Public works	-	3,962,505	-	-
Capital expenditures	795,037	326,150	4,586,704	431,182
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total expenditures	<u>26,403,396</u>	<u>4,288,655</u>	<u>4,586,704</u>	<u>431,182</u>
Excess (deficiency) of revenues over expenditures	<u>(3,834,227)</u>	<u>(531,433)</u>	<u>6,248,331</u>	<u>(425,444)</u>
Other financing sources (uses)				
Transfers in	2,951,654	368,280	597,768	-
Transfers out	(1,372,246)	(46,279)	(2,917,654)	(7,865)
Contributed capital	-	32,350	80,150	-
Proceeds from sale of capital assets	23,035	53,500	-	-
Insurance recovery - capital assts	157,174	19,565	-	-
Total other financing sources (uses)	<u>1,759,617</u>	<u>427,416</u>	<u>(2,239,736)</u>	<u>(7,865)</u>
Net changes in fund balances	(2,074,610)	(104,017)	4,008,595	(433,309)
Fund balances - beginning of year	<u>5,712,995</u>	<u>624,846</u>	<u>15,247,159</u>	<u>654,578</u>
Fund balances - end of year	<u>\$ 3,638,385</u>	<u>\$ 520,829</u>	<u>\$ 19,255,754</u>	<u>\$ 221,269</u>

2006 Street Improvement Bonds Construction Fund	Baseball Stadium Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 10,343,616	\$ 282,964	\$ 38,146,623
-	-	-	166,560	725,911
-	-	-	1,559,085	7,150,786
-	-	-	599,170	2,092,571
-	-	-	73,183	941,285
839,640	102,653	98,922	(213,018)	1,391,570
1,237	-	-	230,888	803,318
<u>840,877</u>	<u>102,653</u>	<u>10,442,538</u>	<u>2,698,832</u>	<u>51,252,064</u>
-	-	-	673,355	3,626,405
-	-	-	542,882	1,299,986
-	-	-	1,971,199	3,898,136
-	-	-	311,714	311,714
-	-	-	-	19,971,268
-	-	-	-	3,962,505
30,010,617	12,507,096	-	88,431	48,745,217
-	-	5,854,120	-	5,854,120
-	-	5,386,509	-	5,386,509
-	-	7,200	-	7,200
-	-	18,000	-	18,000
<u>30,010,617</u>	<u>12,507,096</u>	<u>11,265,829</u>	<u>3,587,581</u>	<u>93,081,060</u>
<u>(29,169,740)</u>	<u>(12,404,443)</u>	<u>(823,291)</u>	<u>(888,749)</u>	<u>(41,828,996)</u>
7,865	-	46,279	1,005,897	4,977,743
(597,768)	-	-	(1,931)	(4,943,743)
53,786	1,033,856	-	-	1,200,142
211,330	-	-	-	287,865
-	-	-	-	176,739
<u>(324,787)</u>	<u>1,033,856</u>	<u>46,279</u>	<u>1,003,966</u>	<u>1,698,746</u>
(29,494,527)	(11,370,587)	(777,012)	115,217	(40,130,250)
<u>45,315,241</u>	<u>12,238,755</u>	<u>9,628,425</u>	<u>6,445,471</u>	<u>95,867,470</u>
<u>\$ 15,820,714</u>	<u>\$ 868,168</u>	<u>\$ 8,851,413</u>	<u>\$ 6,560,688</u>	<u>\$ 55,737,220</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**December 31, 2008**

Reconciliation of the changes in fund balances - total governmental funds to the changes in net assets of governmental activities:

Net changes in fund balances - total governmental funds \$ (40,130,250)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, for government-wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. 42,786,913

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets. (444,284)

Revenues that do not provide current financial resources, such as ad valorem taxes, are not reported as revenues for the funds, but are reported as revenues in the statement of activities. This is the change in the amount of deferred ad valorem taxes reported in the governmental fund statements. 419,589

Expenses that do not require current financial resources, such as compensated absences, OPEB liabilities and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. (88,093)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 5,725,143

Changes in net assets of governmental activities \$ 8,269,018

The accompanying notes are an integral part of these financial statements.

## Statement of Net Assets – Proprietary Funds

December 31, 2008

<u>Assets</u>	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Current assets				
Cash and cash equivalents	\$ 113,454	\$ 95,283	\$ 110,361	\$ 319,098
Investments	-	300,000	-	300,000
Accounts receivable	16,513	-	17,749	34,262
Accrued interest	-	312	-	312
Total current assets	<u>129,967</u>	<u>395,595</u>	<u>128,110</u>	<u>653,672</u>
Noncurrent assets				
Accounts receivable	11,400	-	-	11,400
Capital assets				
Land	2,767,944	-	-	2,767,944
Improvements other than buildings	6,184,165	491,524	21,376	6,697,065
Buildings and system	1,870,699	2,853,680	-	4,724,379
Machinery and equipment	489,591	781,637	167,966	1,439,194
Construction in progress	10,214	-	-	10,214
Less accumulated depreciation	(6,196,079)	(1,912,583)	(46,396)	(8,155,058)
Total capital assets, net of accumulated depreciation	<u>5,126,534</u>	<u>2,214,258</u>	<u>142,946</u>	<u>7,483,738</u>
Total noncurrent assets	<u>5,137,934</u>	<u>2,214,258</u>	<u>142,946</u>	<u>7,495,138</u>
Total assets	<u>\$ 5,267,901</u>	<u>\$ 2,609,853</u>	<u>\$ 271,056</u>	<u>\$ 8,148,810</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 58,457	\$ 2,307	\$ 1,273	\$ 62,037
Salaries payable	2,360	-	2,491	4,851
Due to other funds	511,800	-	-	511,800
Compensated absences	445	-	-	445
Deferred revenue	18,597	-	-	18,597
Total current liabilities	<u>591,659</u>	<u>2,307</u>	<u>3,764</u>	<u>597,730</u>
Noncurrent liabilities				
Compensated absences	1,252	-	2,151	3,403
Deferred revenue	11,400	-	-	11,400
Total noncurrent liabilities	<u>12,652</u>	<u>-</u>	<u>2,151</u>	<u>14,803</u>
Total liabilities	<u>604,311</u>	<u>2,307</u>	<u>5,915</u>	<u>612,533</u>
Net assets				
Invested in capital assets, net of related debt	5,126,534	2,214,258	142,946	7,483,738
Unrestricted (deficit)	(462,944)	393,288	122,195	52,539
Total net assets	<u>4,663,590</u>	<u>2,607,546</u>	<u>265,141</u>	<u>7,536,277</u>
Total liabilities and net assets	<u>\$ 5,267,901</u>	<u>\$ 2,609,853</u>	<u>\$ 271,056</u>	<u>\$ 8,148,810</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Revenues, Expenses and Changes in Net Assets –  
Proprietary Funds**

**For the Year Ended December 31, 2008**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Operating revenues				
Charges for services				
Activity fees	\$ -	\$ 191,192	\$ 106,806	\$ 297,998
Concession	-	8,218	-	8,218
Fuel flowage fees	41,524	-	-	41,524
Rental fees	234,532	1,761	-	236,293
Other service fees	11,620	589	132,175	144,384
Total operating revenues	<u>287,676</u>	<u>201,760</u>	<u>238,981</u>	<u>728,417</u>
Operating expenses				
Personnel	93,263	106,610	133,512	333,385
Maintenance	51,298	72,190	7,086	130,574
Supplies	57,873	36,360	39,012	133,245
Other	96,932	4,416	17,239	118,587
Depreciation	218,738	186,002	14,230	418,970
Total operating expenses	<u>518,104</u>	<u>405,578</u>	<u>211,079</u>	<u>1,134,761</u>
Operating income (loss)	<u>(230,428)</u>	<u>(203,818)</u>	<u>27,902</u>	<u>(406,344)</u>
Nonoperating revenues (expenses)				
Contributions	-	14	5,596	5,610
Gain on sale of assets	1,300	-	-	1,300
Investment earnings	-	13,611	2,285	15,896
Total nonoperating revenues	<u>1,300</u>	<u>13,625</u>	<u>7,881</u>	<u>22,806</u>
Income (loss) before capital contributions and transfers	(229,128)	(190,193)	35,783	(383,538)
Capital grants and contributions	31,823	-	-	31,823
Operating transfers in (out)	-	-	(34,000)	(34,000)
Changes in net assets	(197,305)	(190,193)	1,783	(385,715)
Net assets - beginning of year	<u>4,860,895</u>	<u>2,797,739</u>	<u>263,358</u>	<u>7,921,992</u>
Net assets - end of year	<u>\$ 4,663,590</u>	<u>\$ 2,607,546</u>	<u>\$ 265,141</u>	<u>\$ 7,536,277</u>

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2008

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 362,288	\$ 201,760	\$ 237,787	\$ 801,835
Payments to suppliers	(211,179)	(121,198)	(67,110)	(399,487)
Payments to employees	(91,152)	(106,610)	(130,871)	(328,633)
Net cash provided (used) by operating activities	59,957	(26,048)	39,806	73,715
Cash flows from noncapital financing activities				
Contributions	-	14	5,596	5,610
Transfers to other funds	-	-	(34,000)	(34,000)
Receipt (payment) of interfund balances	94,000	-	(42)	93,958
Net cash provided (used) by noncapital financing activities	94,000	14	(28,446)	65,568
Cash flows from capital and related financing activities				
Capital contributions	7,800	-	-	7,800
Capital grant receipts	24,023	-	-	24,023
Gain on sale of assets	1,300	-	-	1,300
Purchases of capital assets	(74,805)	-	(13,925)	(88,730)
Net cash used by capital and related financing activities	(41,682)	-	(13,925)	(55,607)
Cash flows from investing activities				
Proceeds from maturities of investments	-	600,000	100,000	700,000
Purchases of investments	-	(600,000)	(50,000)	(650,000)
Interest received	-	14,196	2,550	16,746
Net cash provided by investing activities	-	14,196	52,550	66,746
Net increase (decrease) in cash and cash equivalents	112,275	(11,838)	49,985	150,422
Cash and cash equivalents - beginning of year	1,179	107,121	60,376	168,676
Cash and cash equivalents - end of year	\$ 113,454	\$ 95,283	\$ 110,361	\$ 319,098
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (230,428)	\$ (203,818)	\$ 27,902	\$ (406,344)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	218,738	186,002	14,230	418,970
Changes in operating assets and liabilities				
Accounts receivable	72,815	-	(1,194)	71,621
Accounts payable	(5,076)	(8,232)	(3,773)	(17,081)
Salaries payable	414	-	490	904
Compensated absences	1,697	-	2,151	3,848
Deferred revenue	1,797	-	-	1,797
Net cash provided (used) by operating activities	\$ 59,957	\$ (26,048)	\$ 39,806	\$ 73,715

The accompanying notes are an integral part of these financial statements.

## Statement of Fiduciary Net Assets – Fiduciary Funds

December 31, 2008

<u>Assets</u>	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,309,675	\$ 328,946	\$ 1,028,947
Investments	6,475,070	6,313,989	-
Accounts receivable, net	554,688	543,517	1,267,433
Due from other funds	<u>24,277</u>	<u>33,120</u>	<u>139,526</u>
Total assets	<u>\$ 8,363,710</u>	<u>\$ 7,219,572</u>	<u>\$ 2,435,906</u>
 <u>Liabilities and Net Assets</u>  			
Liabilities			
Accounts payable	\$ 143	\$ -	\$ 2,199,692
Due to other funds	<u>-</u>	<u>-</u>	<u>236,214</u>
Total liabilities	<u>143</u>	<u>-</u>	<u>2,435,906</u>
Net assets			
Held in trust for pension benefits	<u>8,363,567</u>	<u>7,219,572</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 8,363,710</u>	<u>\$ 7,219,572</u>	<u>\$ 2,435,906</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Assets –  
Fiduciary Funds**

**For the Year Ended December 31, 2008**

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Additions		
Contributions		
Taxes	\$ 515,727	\$ 515,218
Intergovernmental	92,140	159,541
Fines and court costs	-	108,346
Employer	7,364	-
Plan members	7,364	-
Miscellaneous	-	1,880
Total contributions	<u>622,595</u>	<u>784,985</u>
Investment income (loss)		
Investment earnings	172,708	(827,463)
Net decrease in fair value of investments	<u>(2,416,398)</u>	<u>(2,019,831)</u>
Total investment earnings	(2,243,690)	(2,847,294)
Less investment expenses	<u>(64,593)</u>	<u>(93,953)</u>
Net investment earnings	<u>(2,308,283)</u>	<u>(2,941,247)</u>
Total additions	<u>(1,685,688)</u>	<u>(2,156,262)</u>
Deductions		
Benefits payments	1,143,782	1,218,487
Miscellaneous	224	-
Total deductions	<u>1,144,006</u>	<u>1,218,487</u>
Changes in net assets	(2,829,694)	(3,374,749)
Net assets - beginning of year	<u>11,193,261</u>	<u>10,594,321</u>
Net assets - end of year	<u>\$ 8,363,567</u>	<u>\$ 7,219,572</u>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

December 31, 2008

**1. Summary of Significant Accounting Policies**

- a. **Nature of operations** – The City of Springdale, Arkansas (the “City”) was incorporated April 1, 1878, and is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety (police, fire, animal control and building inspection), streets, health and social services, culture-recreation, public improvements, planning and zoning, general administrative services, bulky waste disposal, and water and waste water services. Citizens elect the Mayor and eight City Council members at large; however, the City Council members must reside in the ward they represent. The Mayor and City Council are responsible for setting City policy.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (“GAAP”) for states and local governments as defined by the Governmental Accounting Standards Board (“GASB”). GASB is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. Proprietary funds and similar component units also apply Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City.

- b. **Reporting entity** – As required by GAAP, these financial statements present the City (Primary Government) and its component units. The component units are legally separate entities, but are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City, based upon criteria of GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units.” Generally, entities for which the City appoints a voting majority of the board and the entity imposes a financial benefit or burden, must be included in the City’s reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City’s financial reporting entity would render the City’s financial statements incomplete or misleading, should also be included as part of the City’s reporting entity. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantially the same as the City’s board, are required to be included as part of the primary government’s financial statements through “blended” presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented “discretely” or in a separate column as part of the City’s reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the board but is not financially accountable, are related organizations and would be disclosed in these notes. All entities that are not included as *Blended Component Units* or *Discretely Presented Component Units* as noted below are excluded from the City’s financial reporting entity.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

- c. **Blended component unit – governmental** – Springdale Public Library Board Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the City. The members of the Board of Directors are those persons who are trustees of the Springdale Public Library. The trustees are appointed by the Mayor, and approved by the City Council. The purpose of the Foundation is to support the Springdale Public Library and to support the Library’s effort to serve the residents of the City and surrounding area in providing access to materials and information. Separate financial statements are not prepared for the Foundation.
- d. **Discretely presented component unit – business-type** – City of Springdale, Arkansas Water and Sewer Commission (the “Commission”) is governed by a five member Board of Commissioners, appointed by the remainder of the Water and Sewer Commissioners, and approved by the City Council. The Commission receives no financial benefit from the City; however, the City has the power to impose its will on the Commission. Rate changes and debt issuance must be approved by the City Council. The Commission provides commercial and residential water services, as well as waste water treatment services, that primarily benefit the residents of Springdale. The fiscal year end of the Commission is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2008. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale, Arkansas 72764.
- e. **Related organizations** – The City’s Mayor and Council are also responsible for appointing members of the boards or commissions of other organizations, but the City’s accountability for those organizations does not extend beyond making the appointments. These related organizations are as follows: the Housing Authority of the City of Springdale and the Shiloh Historic District Planning Commission.
- f. **Change in accounting principles** – Effective January 1, 2008, the City implemented the following new financial and accounting reporting standard issued by GASB:

GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.” This statement establishes uniform financial reporting standards for other postemployment benefits (“OPEB”) plans, improves the relevance and usefulness of financial reporting, and supersedes GASB Statement No. 12, No. 26 and No. 27. The financial impact of the implementation on the City during the year is further discussed in Note 10 on pages 58 through 60. The adoption of GASB Statement No. 45 did not have a material effect on the City’s financial statements.

GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. The adoption of this statement had no financial impact on the City during the current year.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statement No. 25 and No. 27." This statement more closely aligns the financial reporting requirements for pensions with those for OPEB reporting requirements, and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information. The adoption of this statement had no financial impact on the City during the current year.

- g. **Basis of presentation** – The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

*Government-wide Financial Statements*

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange transactions, and business-type activities, which are financed in whole or part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

*Fund Financial Statements*

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in another fund.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

The **Street Fund** is a special revenue fund which accounts for resources related to street, drainage, and traffic control operations. Minor maintenance, repair and construction of streets, drainage systems, and traffic control systems, as well as street lighting and landscaping are included in this fund.

The **Sales and Use Tax Fund** is a capital projects fund which accounts for resources from one-half of the City's two percent (2%) local sales and use tax. Revenues are expended for major capital projects, including City buildings, equipment, street expansion and reconstruction, bridges and related drainage projects. Twenty-five percent (25%) is used for General Fund operations and maintenance.

The **2004 Street Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Bonds, Series 2004, utilized for major construction, renovation, expansion and improvement of the City's streets.

The **2006 Street Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006, utilized for major construction, renovation, expansion and improvement of the City's streets (see also Note 4).

The **Baseball Stadium Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006, utilized for land acquisition, land improvements and construction of a baseball stadium facility (see also Note 4).

The **Debt Service Fund** accounts for resources from one-half of the City's two percent (2%) local sales and use tax and payments made for long-term debt principal, interest and related costs of governmental funds debt (see also Note 4).

The City reports the following major proprietary funds:

The **Municipal Airport Fund** is an enterprise fund which accounts for the operations and maintenance of the City's municipal airport.

The **Aquatic Center Fund** is an enterprise fund which accounts for the operations and maintenance of the City's water park.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

Additionally, the City reports the following fund types:

**Special Revenue Funds** – The special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. Arvest Ball Park, home to the minor league baseball team, the Northwest Arkansas Naturals, was completed and opened in April 2008. The operation of the ball park is being accounted for as a special revenue fund. The City's other nonmajor special revenue funds are the Springdale Public Library, Shiloh Museum Board Fund, Advertising and Promotion Fund, District Court Costs Fund, Parks Activity Fund, Community Development Block Grant ("CDBG") Fund and Home Investment Partnership Act Fund.

**Capital Projects Fund** – The Public Facilities Board capital projects fund is used to account for financial resources used for the development and maintenance of the City's industrial parks.

**Enterprise Funds** – Accounts for the Soccer Program Fund, the Sanitation Fund and the City Attorney Restitution Fund whose operations are financed primarily through user charges.

**Pension Trust Funds** – Accounts for assets held in trust for the Firemen's Relief and Pension Fund ("Firemen's Fund") and the Policemen's Pension and Relief Fund ("Policemen's Fund"). Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

**Permanent Trust Funds** – Accounts for assets held in trust for the operation and maintenance of Bluff Cemetery (the "Cemetery") and the Foundation. The City must act in accordance with the terms of specific bequests made to the Cemetery and the Foundation.

**Agency Funds** – Accounts for activities associated with collecting and disbursing fines, court costs, and monies seized as evidence for the District Court and Police Department, and for the collection and payment of the City's payroll liabilities.

- h. **Measurement focus and basis of accounting** – The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, the presentation of expense versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

**Notes to Financial Statements****December 31, 2008****1. Summary of Significant Accounting Policies (cont.)***Government-wide, Proprietary and Fiduciary Funds*

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives or gives value without directly giving or receiving equal value in exchange, include taxes, fines and forfeitures; grants, entitlements, and similar items; and contributions. Recognition standards are based upon the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

*Governmental Fund Financial Statements*

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the statement of net assets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end. Principal revenue sources considered susceptible to accrual include property (ad valorem) taxes, sales taxes, utility franchise fees, grant revenues and investment earnings. Other revenues, such as fines and forfeitures, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related fund liability is incurred as under the accrual basis of accounting, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

- i. **Budgets and budgetary accounting** – Annual budgets are prepared on a basis consistent with generally accepted accounting principles, except for the City's proprietary funds. Proprietary funds budgets differ from GAAP in that capital acquisitions are recorded as expenditures as opposed to assets, and depreciation expense is not budgeted. The budgets are used as a management control device during the year for the following funds: General Fund, Street Fund, Springdale Public Library, Shiloh Museum Board Fund, District Court Costs Fund, Parks Activity Fund, Capital Projects Funds, except for the 2004 Street Improvement Construction and Public Facilities Board Funds, the Debt Service Fund, the City's proprietary funds, except for the City Attorney Hot Check Fund, and the Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2008, the City Council adopted several supplemental appropriations.

- j. **Cash and cash equivalents** – Cash includes demand deposits, savings accounts and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. For reporting purposes the City considers all investments with original maturities of ninety (90) days or less at the date of purchase as cash equivalents.
- k. **Investments and investment income** – All investments are carried at fair value. Fair value is determined using quoted market prices. Income earned on investments is recorded in the funds in which the investments are recorded. Investment income includes interest, dividends and the net change for the year in the fair value of investments carried at fair value.
- l. **Accounts receivable** – For the primary government, ambulance fees and property tax receivables are shown net of an allowance for uncollectibles. No allowance for uncollectibles has been established for customer accounts receivable for the Commission, as management estimates only immaterial amounts may prove to be uncollectible.
- m. **Inventories** – Inventories, consisting primarily of waterline and sewer materials, are valued at the lower of cost or market using the historical average method of accounting. The costs of governmental fund type inventories are recorded as expenditures when purchased.
- n. **Restricted assets** – Certain proceeds of the City's sales and use tax bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by bond covenants.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

The balance of the restricted assets accounts in the primary government as of December 31, 2008 is as follows:

Cash and cash equivalents	\$ 26,164,375
Investments	3,525,702
Sales and use taxes receivable	1,591,488
Interest receivable	<u>55,568</u>
 Total restricted assets - governmental activities	 <u>\$ 31,337,133</u>

The Commission has funds maintained in separate bank accounts to comply with debt instrument requirements, which are restricted for use for maintenance activities and payments of principal and interest. Also, the Commission has designated certain funds to be maintained for construction activity and water meter deposits.

Cash - Lowell Construction Fund	\$ 647,276
Cash - Lowell Sewer Expansion Fund	8,966
Cash - Series 2001 Bond Fund	376,346
Cash - Series 2001 Depreciation Fund	575,500
Certificates of deposit - customer deposits	1,458,180
Certificates of deposit - water construction	17,684,400
Certificates of deposit - sewer construction	9,856,689
Interest receivable	<u>889,825</u>
 Total restricted assets - component unit	 <u>\$ 31,497,182</u>

- o. **Capital assets** – Capital assets, which include property, plant and equipment and infrastructure assets acquired or constructed since 1980, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed assets are valued at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of acquisition.

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of five years. Exceptions are for infrastructure assets, which are defined as having a constructed cost of greater than \$25,000. Major outlays for capital assets and improvements are capitalized when completed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Ranges of estimated useful lives are as follows:

<u>Capital Assets</u>	<u>Years</u>
Land improvements	10 - 30
Buildings	20 - 40
Building improvements	7 - 30
Infrastructure	
Streets and bridges	15 - 50
Drainage	50
Water system	40
Meters and meter equipment	17
Sewer system and plant	20 - 50
Vehicles	5 - 20
Machinery and equipment	5 - 10

- p. **Collections** – Collections of historical artifacts and treasures meet the definition of a capital asset normally should be reported in the financial statements. However, the requirement of capitalization is waived for collections that meet certain criteria. The City's Shiloh Museum of Ozark History (the "Museum") has collections of historical artifacts and photographs that are not capitalized as they meet all of the waiver requirements, which are: (1) the collections which are held solely for public exhibition, (2) the collections are protected, preserved and cared for, and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. The Museum has six buildings of historical significance which have been capitalized, but are not being depreciated, as these buildings are part of the Museum's exhibits, and are therefore being cared for and preserved.
- q. **Compensated absences** – The City allows employees to accumulate earned, but unused vacation and sick leave. Upon termination, any accumulated unused vacation will be paid to the employees. Accumulated, but unused sick leave is paid to employees upon retirement, up to a maximum of 60 days, provided that the payment does not exceed three months salary.

For the primary government, compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies (cont.)

- r. **Long-term obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Debt premiums and discounts are generally deferred and amortized over the life of the related debt using the effective interest method. For the City's component unit, the straight-line method is used which is not materially different from the interest method. Long-term debt is reported net of the applicable debt premium or discount. Debt issuance costs are generally deferred and amortized over the life of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt discounts and premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued, discounts given, and premiums received are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

- s. **Net assets/fund balance** – Government-wide and proprietary fund net assets are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of these assets. Restricted net assets consist of net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City, or by laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Included in this category are assets restricted for capital expenditures, net of related debt, and amounts deposited with bond trustees as required by bond indentures. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the above definitions.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. For projects funded by tax-exempt debt proceeds and other resources, the debt proceeds are used first.

In the fund financial statements, the City records reserves to indicate the portion of fund balance that is legally segregated for a specific use. Designations of fund balance represent amounts designated by management that are not legally binding.

- t. **Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from these estimates.

## Notes to Financial Statements

December 31, 2008

2. Deposits and Investments*Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City and its component units' (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. The collateral is held by the Federal Reserve Bank, Arkansas Bankers' Bank and First Tennessee Bank. The City's component unit, *the Foundation*, is not required to follow state law regarding collateralization of deposits and does not have a deposit policy for custodial credit risk. At December 31, 2008 (September 30, 2008 for the Commission), none of the City's bank balances were exposed to custodial credit risk.

State statutes authorize the City's funds to be deposited in demand deposits, savings, and certificates of deposit in banks located in the State of Arkansas. Certificates of deposit may also be invested in eligible banks located in the United States. The bank balances and carrying amount of the City's deposits held as of December 31, 2008 (September 30, 2008 for the Commission) were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	<u>\$ 25,542,061</u>	<u>\$ 30,704,808</u>
Bank balance of deposits	<u>\$ 25,345,156</u>	<u>\$ 30,534,796</u>

*Investments*

Arkansas state statutes authorize the City to invest funds in obligations of the U. S. Government. Funds held by the City's trustee for the credit of the Construction Funds, the Bond Fund and the Debt Service Reserve are authorized to be invested in U. S. Government securities, time deposits or certificates of deposit which are insured by the FDIC, or collateralized by securities held by a third party in which the City has a perfected first security interest, and money market funds registered under the Federal Investment Company Act of 1940 and having a rating by Standard and Poor's of AAA-mG, AAA-m, or AA-m, and if rated by Moody's Investors Service rated AAA, AA1, or AA2.

The City's local pension funds are managed by professional investment managers, and are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, international and corporate stocks, bonds and mutual funds. Plan asset investments must adhere to Arkansas laws, specifically Arkansas Code 24-11-410, and be made in accordance with the prudent investor rule. Investment objectives are to earn the highest possible rate of return, consistent with prudent levels of risk, and to protect fund assets while insuring systematic and adequate funding of plan distributions and benefits to participants and their beneficiaries.

## Notes to Financial Statements

December 31, 2008

2. Deposits and Investments (cont.)

The City's other trust funds and endowment funds are governed by the prudent investor rule; investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and in general, avoid speculative investments.

At December 31, 2008, the primary government had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 4,032,794	\$ 3,570,752	\$ 161,860	\$ 226,283	\$ 73,899
U.S. agencies obligations	1,170,372	-	231,230	50,015	889,127
Corporate bonds	2,517,762	66,575	716,067	610,704	1,124,416
Money market funds	<u>26,968,295</u>	<u>26,968,295</u>	-	-	-
	\$ 34,689,223	\$ 30,605,622	\$ 1,109,157	\$ 887,002	\$ 2,087,442
Common stock	8,227,242				
Mutual funds	168,638				
Investment pools	818,536				
Other	<u>167,830</u>				
Total investments	<u>\$ 44,071,469</u>				

- a. **Interest rate risk** – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy is to hold all investments to maturity.

The pension funds investment policies address interest rate risk by managing asset allocation. The Firemen's Fund policy allows for a maximum investment in equities of 50% and the balance in fixed income (including cash equivalents) and other investments. Within the above allocation, the cash and cash equivalents range is from 5% - 25%, fixed income investments range 15% - 75%, equities 25% - 60%, and other investments 0% - 10%. The Policemen's Fund allocation policy is for equities to range from 40% - 65% of total assets, fixed income investments range from 30% - 50%, and cash and cash equivalents range from 0% - 5%.

- b. **Credit risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As described earlier in this section, Arkansas law limits the types of investments that can be made by the City. The City's investment policy, except for investment of bond proceeds as noted above, does not impose limitations beyond those of the State of Arkansas.

The Firemen's Fund policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. The Policemen's Fund policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less.

## Notes to Financial Statements

December 31, 2008

2. Deposits and Investments (cont.)

- c. **Custodial credit risk** – Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City are in the City's name. Investment managers for the pension trust funds must be a registered investment advisor with the Arkansas Securities Department and/or the Securities and Exchange Commission ("SEC").
- d. **Concentration of credit risk** – The City places no limit on the amount that may be invested in any one issuer. The Firemen's Fund's policy limits investment in equities in any one company or affiliated group of companies to no more than 5% of the fund's total assets. No more than 3% may be invested in any one debt issue, excluding U.S. Treasury or U.S. government agency debt securities. The Policemen's Fund's policy is that securities of any one company or government agency should not exceed 15% of the total fund, and no more than 30% of the total fund should be invested in any one industry.

The following schedule reconciles the carrying amount of deposits and investments to the government-wide statement of net assets and fiduciary statement of net assets:

	Primary <u>Government</u>	Discrete Component <u>Unit</u>
Reported amount of deposits	\$ 25,542,061	\$ 30,702,508
Cash on hand	1,625	2,300
Investments classified as cash equivalents	26,968,295	-
Deposits classified as investments	<u>(17,654,427)</u>	<u>(28,999,269)</u>
	<u>\$ 34,857,554</u>	<u>\$ 1,705,539</u>
As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 6,025,611	\$ 97,451
Restricted cash and cash equivalents	<u>26,164,375</u>	<u>1,608,088</u>
	32,189,986	1,705,539
Cash and cash equivalents reported on the statement of fiduciary net assets	<u>2,667,568</u>	<u>-</u>
	<u>\$ 34,857,554</u>	<u>\$ 1,705,539</u>

## Notes to Financial Statements

December 31, 2008

2. Deposits and Investments (cont.)

	Primary Government	Discrete Component Unit
Reported amount of investments	\$ 44,071,469	\$ -
Deposits classified as investments	17,654,427	28,999,269
Investments classified as cash equivalents	<u>(26,968,295)</u>	<u>-</u>
	<u>\$ 34,757,601</u>	<u>\$ 28,999,269</u>
As reported on the government-wide statement of net assets		
Investments	\$ 18,442,840	\$ -
Restricted investments	<u>3,525,702</u>	<u>28,999,269</u>
	21,968,542	28,999,269
Investments reported on the statement of fiduciary net assets	<u>12,789,059</u>	<u>-</u>
	<u>\$ 34,757,601</u>	<u>\$ 28,999,269</u>

## Notes to Financial Statements

December 31, 2008

3. Receivables

Receivables as of the year ended December 31, 2008 for the City's General Fund, Street Fund, Capital Projects Funds in the aggregate, Debt Service Fund, and Nonmajor Governmental Funds in the aggregate, Proprietary and Fiduciary Funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables						
Accounts	\$ 2,030,225	\$ 7,348	\$ -	\$ -	\$ 34,725	\$ 2,072,298
Property taxes	5,301,051	1,015,576	-	-	-	6,316,627
Sales taxes	1,461,328	-	1,591,488	-	-	3,052,816
Franchise taxes	682,850	-	-	-	-	682,850
Grants	73,189	2,500	-	-	-	75,689
Intergovernmental	251,494	221,492	-	-	19,480	492,466
Interest	4,966	112	61,066	-	7,011	73,155
Other	76,026	-	-	-	-	76,026
Restricted receivables						
Sales taxes	-	-	-	1,591,488	-	1,591,488
Interest	-	-	55,568	-	-	55,568
Gross receivables	9,881,129	1,247,028	1,708,122	1,591,488	61,216	14,488,983
Less allowance for uncollectibles	(886,384)	(69,635)	-	-	-	(956,019)
Net total receivables	<u>\$ 8,994,745</u>	<u>\$ 1,177,393</u>	<u>\$ 1,708,122</u>	<u>\$ 1,591,488</u>	<u>\$ 61,216</u>	<u>\$ 13,532,964</u>
<u>Proprietary</u>	<u>Municipal Airport Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>			
Receivables						
Accounts	\$ 7,513	\$ 17,749	\$ 25,262			
Interest	-	312	312			
Special assessments	20,400	-	20,400			
Gross receivables	<u>\$ 27,913</u>	<u>\$ 18,061</u>	<u>\$ 45,974</u>			
<u>Fiduciary</u>	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Total</u>			
Receivables						
Property taxes	\$ 565,240	\$ 565,240	\$ 1,130,480			
Interest	28,270	17,099	45,369			
Gross receivables	593,510	582,339	1,175,849			
Less allowance for uncollectibles	(38,822)	(38,822)	(77,644)			
Net total receivables	<u>\$ 554,688</u>	<u>\$ 543,517</u>	<u>\$ 1,098,205</u>			

## Notes to Financial Statements

December 31, 2008

4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2008 (September 30, 2008 for the Commission) is presented below:

<u>Governmental Activities</u>	Balance Restated December 31, <u>2007</u>	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance December 31, <u>2008</u>
Capital assets, nondepreciable				
Land	\$ 24,485,320	\$ 1,990,103	\$ 1,241,861	\$ 25,233,562
Easements	17,732,435	4,760,861	42,500	22,450,796
Museum buildings	279,834	190,076	-	469,910
Construction in progress	78,418,630	47,576,713	66,131,932	59,863,411
Total capital assets, nondepreciable	<u>120,916,219</u>	<u>54,517,753</u>	<u>67,416,293</u>	<u>108,017,679</u>
Capital assets, depreciable				
Land improvements	5,270,456	3,822,099	-	9,092,555
Infrastructure	114,153,750	17,228,802	-	131,382,552
Buildings and improvements	20,370,523	37,065,817	672,857	56,763,483
Machinery and equipment	20,441,041	5,699,182	1,037,200	25,103,023
Intangibles	768,629	25,986	-	794,615
Total capital assets, depreciable	<u>161,004,399</u>	<u>63,841,886</u>	<u>1,710,057</u>	<u>223,136,228</u>
Less accumulated depreciation				
Land improvements	2,166,805	286,091	-	2,452,896
Infrastructure	25,257,099	4,440,674	-	29,697,773
Buildings and improvements	6,221,119	1,143,485	65,548	7,299,056
Machinery and equipment	10,668,878	1,976,852	1,003,045	11,642,685
Intangibles	517,355	70,151	-	587,506
Total accumulated depreciation	<u>44,831,256</u>	<u>7,917,253</u>	<u>1,068,593</u>	<u>51,679,916</u>
Total governmental activities, net	<u>\$ 237,089,362</u>	<u>\$ 110,442,386</u>	<u>\$ 68,057,757</u>	<u>\$ 279,473,991</u>

## Notes to Financial Statements

December 31, 2008

4. Capital Assets (cont.)

<u>Business-type Activities</u>	Balance Restated December 31, 2007	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance December 31, 2008
Capital assets, nondepreciable				
Land	\$ 2,279,586	\$ 488,358	\$ -	\$ 2,767,944
Construction in progress	<u>473,064</u>	<u>5,652</u>	<u>468,502</u>	<u>10,214</u>
Total capital assets, nondepreciable	<u>2,752,650</u>	<u>494,010</u>	<u>468,502</u>	<u>2,778,158</u>
Capital assets, depreciable				
Land improvements	6,647,767	49,298	-	6,697,065
Buildings and improvements	4,784,376	-	59,997	4,724,379
Machinery and equipment	<u>1,477,041</u>	<u>13,924</u>	<u>51,771</u>	<u>1,439,194</u>
Total capital assets, depreciable	<u>12,909,184</u>	<u>63,222</u>	<u>111,768</u>	<u>12,860,638</u>
Less accumulated depreciation				
Land improvements	4,375,211	191,097	-	4,566,308
Buildings and improvements	2,311,825	154,038	59,997	2,405,866
Machinery and equipment	<u>1,160,820</u>	<u>73,835</u>	<u>51,771</u>	<u>1,182,884</u>
Total accumulated depreciation	<u>7,847,856</u>	<u>418,970</u>	<u>111,768</u>	<u>8,155,058</u>
Total business-type activities, net	<u>\$ 7,813,978</u>	<u>\$ 138,262</u>	<u>\$ 468,502</u>	<u>\$ 7,483,738</u>

<u>Business-type Activities Component Unit</u>	Balance September 30, 2007	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance September 30, 2008
Capital assets, nondepreciable				
Land	\$ 2,115,141	\$ -	\$ -	\$ 2,115,141
Easements	1,785,102	291,214	-	2,076,316
Construction in progress	<u>8,103,650</u>	<u>10,974,695</u>	<u>11,496,749</u>	<u>7,581,596</u>
Total capital assets, nondepreciable	<u>12,003,893</u>	<u>11,265,909</u>	<u>11,496,749</u>	<u>11,773,053</u>
Capital assets, depreciable				
Buildings and improvements	5,358,401	-	-	5,358,401
Water and sewer systems	210,452,200	21,014,856	-	231,467,056
Machinery and equipment	<u>3,930,873</u>	<u>137,888</u>	<u>36,374</u>	<u>4,032,387</u>
Total capital assets, depreciable	<u>219,741,474</u>	<u>21,152,744</u>	<u>36,374</u>	<u>240,857,844</u>
Less accumulated depreciation				
Buildings and improvements	2,015,052	178,175	-	2,193,227
Water and sewer systems	60,217,336	5,660,729	-	65,878,065
Machinery and equipment	<u>2,753,065</u>	<u>272,714</u>	<u>36,195</u>	<u>2,989,584</u>
Total accumulated depreciation	<u>64,985,453</u>	<u>6,111,618</u>	<u>36,195</u>	<u>71,060,876</u>
Total component unit activities, net	<u>\$ 166,759,914</u>	<u>\$ 26,307,035</u>	<u>\$ 11,496,928</u>	<u>\$ 181,570,021</u>

## Notes to Financial Statements

December 31, 2008

4. Capital Assets (cont.)

Depreciation expense was charged to functions/programs of the primary government and its component unit as follows:

Governmental activities	
General government	
Administration	\$ 189,893
City attorney	2,473
District court	4,443
Bluff cemetery	7,249
Community development	
Planning and engineering	12,842
Community development and housing	3,682
Culture and recreation	
Parks and recreation	1,249,514
Public library	146,791
Shiloh museum	41,419
Public safety	
Animal services	19,243
Building and code enforcement	33,568
Fire	430,364
Police	504,964
Public works	<u>5,270,808</u>
Total governmental activities	<u>7,917,253</u>
Business-type activities	
Municipal airport	218,738
Aquatic center	186,002
Parks soccer program	4,130
Sanitation	<u>10,100</u>
Total business-type activities	<u>418,970</u>
Total depreciation expenses - primary government	<u>\$ 8,336,223</u>
Component unit	
Springdale Water and Sewer	<u>\$ 6,111,618</u>

## Notes to Financial Statements

December 31, 2008

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2008 for the primary government were as follows:

<u>Governmental Activities</u>	Balance December 31, 2007	Increases	Decreases	Balance December 31, 2008	Due Within One Year
Bonds payable					
Sales and use tax bonds	\$ 120,685,000	\$ -	\$ 5,810,000	\$ 114,875,000	\$ 4,050,000
Add issuance premium	2,922,130	-	250,337	2,671,793	-
Bonds payable, net	<u>123,607,130</u>	<u>-</u>	<u>6,060,337</u>	<u>117,546,793</u>	<u>4,050,000</u>
Other long-term debt					
Capital leases payable	51,158	-	44,120	7,038	7,038
Yield reduction payment payable	193,000	12,000	-	205,000	205,000
Compensated absences	1,237,116	1,935,304	1,748,089	1,424,331	13,304
OPEB liabilities	-	281,160	-	281,160	-
Total other long-term debt	<u>1,481,274</u>	<u>2,228,464</u>	<u>1,792,209</u>	<u>1,917,529</u>	<u>225,342</u>
Total	<u>\$ 125,088,404</u>	<u>\$ 2,228,464</u>	<u>\$ 7,852,546</u>	<u>\$ 119,464,322</u>	<u>\$ 4,275,342</u>

Changes in long-term liabilities for the year ended December 31, 2008 for the City's discretely presented component unit were as follows:

<u>Springdale Water and Sewer</u>	Balance September 30, 2007	Increases	Decreases	Balance September 30, 2008	Due Within One Year
Bonds payable					
Revenue bonds, Series 2001	\$ 4,190,000	\$ -	\$ 2,055,000	\$ 2,135,000	\$ 2,135,000
Revenue bonds, Series 2006	3,545,000	-	40,000	3,505,000	55,000
Add issuance premium	<u>47,836</u>	<u>-</u>	<u>24,958</u>	<u>22,878</u>	<u>22,878</u>
Bonds payable, net	<u>\$ 7,782,836</u>	<u>\$ -</u>	<u>\$ 2,119,958</u>	<u>\$ 5,662,878</u>	<u>\$ 2,212,878</u>

*Sales and Use Tax Bonds – Governmental Activities*

On October 26, 2006, the City issued \$124,045,000 in City of Springdale, Arkansas, Sales and Use Tax Refunding and Improvement Bonds, Series 2006, dated October 1, 2006. The interest rates on the bonds range from 4% to 5%, payable semiannually, and maturity dates range from January 1, 2007 to July 1, 2027. The Series 2006 Bonds are not general obligations of the City, but are special obligations, secured by a first and prior pledge of collections of a 1% sales and use tax levied by the City under a city ordinance adopted on May 23, 2006. The tax replaced the City's existing 1% sales and use tax levied in 2003 for the sole purpose of retiring the 2004 Series Bonds. The issuance of the bonds and the pledging of the tax were approved at a special election held on July 11, 2006. The effective date of the new tax was October 25, 2006, and will expire after the bonds have been paid or provision is made therefore, in accordance with Arkansas statutes.

## Notes to Financial Statements

December 31, 2008

5. Long-Term Liabilities (cont.)

The bond principal amount was allocated to three projects, as follows.

Bonds in the amount of \$30,860,000 were to advance refund the City's Sales and Use Tax Bonds, Series 2004. The net proceeds of the Series 2006 bonds, along with debt service funds from the Series 2004 Bonds, were deposited in an irrevocable trust with an escrow agent. These funds were used to purchase U.S. Government securities to provide for all future debt service payments on the Series 2004 Bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The outstanding principal of the defeased bonds was \$20,320,000 at December 31, 2008. The reacquisition price exceeded the carrying amount of the old debt by \$872,518, resulting in a loss on the bond refunding. Of this amount, \$202,532 was written off in 2006, and the remaining amount of \$669,986 was deferred, and is being amortized over the life of the old debt using the straight line method. Amortization for 2008 of the deferred loss on bond refunding was \$32,288.

Bonds in the amount of \$45,000,000 were for the purpose of financing all or a portion of the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. These bonds replaced the remaining \$45,000,000 in Street Improvement Bonds authorized at the special election held August 12, 2003.

Bonds in the amount of \$48,185,000 were for the purpose of financing all or a portion of the costs of constructing a new baseball stadium, including land acquisition, parking, streets, sidewalks, professional fees, and other related costs. The baseball stadium is under contract with a minor league baseball team, which leased the facility upon completion in April 2008.

The bonds are subject to extraordinary redemption from proceeds of the Series 2006 Bonds not needed for the purposes intended and surplus tax receipts on any interest payment date, at least annually, in inverse order of maturity, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The bonds may be redeemed at the option of the City, from funds from any source, on and after July 1, 2013, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2006 Bonds as originally issued. The portion of the debt service reserve allocable to the refunding of the Series 2004 Bonds and the baseball stadium improvements were funded with an insurance policy. The portion of the debt service reserve allocable to street improvements when issued was \$1,694,715. At December 31, 2008, the City held investments equal to \$1,694,858 in the Debt Service Reserve Fund.

The Series 2006 Bonds were issued at a premium of \$3,111,239. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2008 was \$250,337.

Bond issue costs of \$1,778,455 were incurred in the issuance of the Series 2006 Bonds. These costs are being amortized over the life of the bonds using the straight-line method. Bond issue cost amortization for 2008 was \$84,689.

## Notes to Financial Statements

December 31, 2008

5. Long-Term Liabilities (cont.)

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2008 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,050,000	\$ 5,176,350
2010	4,210,000	5,014,350
2011	4,385,000	4,845,950
2012	4,475,000	4,670,550
2013	4,700,000	4,450,000
2014 - 2018	27,135,000	18,649,500
2019 - 2023	34,685,000	11,485,250
2024 - 2027	<u>31,235,000</u>	<u>3,084,180</u>
	<u>\$ 114,875,000</u>	<u>\$ 57,376,130</u>

*Water and Sewer Revenue Bonds – Business-Type Component Unit***Series 2001**

The City of Springdale, Arkansas, Water and Sewer Revenue Bonds, Series 2001 were issued on September 18, 2001, in the amount of \$15,000,000 to finance a portion of the costs of an expansion to the City's waste water treatment plant, which is a part of the City's water and sewer system. These bonds were issued for a period of eight years with interest payable semiannually on March 1 and September 1. Interest rates vary from 3.75% to 4.0% on these bonds based upon their maturity dates. Principal payments are due annually on September 1. Net water and sewer revenues are pledged for the payment of these bonds.

The bonds were issued at a premium of \$199,666, which is being amortized over the life of the bonds using the straight line method. Bond premium amortization for 2008 was \$24,958.

Bond issue costs of \$253,498 were incurred in the issuance of these bonds. These costs are being amortized over the life of the bonds using the straight-line method. Bond issue cost amortization for 2008 was \$31,687.

**Series 2006**

The City of Springdale, Arkansas Water and Sewer Revenue Bonds, Series 2006, were issued August 10, 2006, in the amount of \$3,600,000. The purpose of the bonds was to finance a portion of the costs of improvements to the sewer facilities of the City. The interest rate on the bonds is 5%, interest and principal are payable semiannually, and maturity dates range from March 1, 2007 to September 1, 2026. Revenues of the water and sewer system are pledged for the payment of these bonds.

## Notes to Financial Statements

December 31, 2008

5. Long-Term Liabilities (cont.)

Bond issue costs of \$30,000 were incurred in the issuance of these bonds. These costs are being amortized over the life of the bonds using the straight-line method. Bond issue cost amortization for 2008 was \$3,750.

Maturities of revenue bonds payable for the City's business-type component unit for subsequent fiscal years are as follows:

Component Unit <u>Springdale Water and Sewer</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,190,000	\$ 259,900
2010	65,000	171,500
2011	80,000	168,250
2012	95,000	164,000
2013	110,000	159,125
2014 - 2018	975,000	670,000
2019 - 2023	1,245,000	397,000
2024 - 2026	<u>880,000</u>	<u>76,500</u>
	<u>\$ 5,640,000</u>	<u>\$ 2,066,275</u>

*Capital Leases*

During 2004, the City entered into lease agreements for the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the statement of net assets.

Assets acquired through capital leases and the future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008 were as follows:

	<u>Primary Government</u>		Discrete Component <u>Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Assets acquired			
Machinery and equipment	\$ 210,848	\$ -	\$ -
Less accumulated depreciation	<u>(94,882)</u>	<u>-</u>	<u>-</u>
Total assets acquired	<u>\$ 115,966</u>	<u>\$ -</u>	<u>\$ -</u>

## Notes to Financial Statements

December 31, 2008

5. Long-Term Liabilities (cont.)

	Primary Government		Discrete Component <u>Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Net present value of lease payments			
2009	\$ 7,129	\$ -	\$ -
Total minimum lease payments	7,129	-	-
Less interest	(91)	-	-
Present value of minimum lease payments	<u>\$ 7,038</u>	<u>\$ -</u>	<u>\$ -</u>

*Applicability of Federal Arbitrage Regulations*

Debt issuances of the City issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. These regulations require that all earnings from the investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These rules carry strict penalties for noncompliance, including taxability of interest retroactive to the date of issue. City management believes the City is in compliance with these rules and regulations.

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2008. However, a "yield reduction payment" of approximately \$205,000 does exist because the yield on the construction fund investments materially exceeded the yield on the Series 2004 Bonds. This liability is included in the Debt Service Fund as other long-term liabilities. No payment is required for arbitrage rebates or yield reduction rebates until after the July 27, 2009 final calculation date.

*Conduit Debt Obligations*

From time to time, the City has issued various bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds.

The City of Springdale Residential Housing and & Health Care Facilities Board Single Family Mortgage Revenue Refunding Bonds, Series 1994A and 1994B, have an outstanding aggregate principal amount payable of \$50,001 as of December 31, 2008.

## Notes to Financial Statements

December 31, 2008

6. Individual Fund Disclosures

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are mainly as a result of the time lag between the dates that interfund revenues are collected, goods and services are provided or reimbursable expenditures occur, and payments are made between funds. The Airport Fund has an interfund operating cash loan from the General Fund related to land expenditures, which will be reimbursed once federal grant revenues are received for the project. The General Fund and Sales and Use Tax Funds have interfund receivables and payables primarily related to City sales taxes collected, which are transferred to the General Fund for operations and maintenance.

Interfund receivables and payables as of December 31, 2008 are as follows:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General	\$ 975,512	\$ 2,688,727
Street	5,934	-
Sales and use tax	2,687,900	403,822
2006 street improvement construction	-	53,886
Springdale public library	22,767	-
District court	28,485	321
Bluff cemetery	16	-
Public library foundation board	-	22,767
Total governmental funds	<u>3,720,614</u>	<u>3,169,523</u>
Proprietary funds		
Municipal airport	-	511,800
Total proprietary funds	<u>-</u>	<u>511,800</u>
Fiduciary funds		
Firemen's relief and pension	24,277	-
Policemen's pension and relief	33,120	-
Payroll agency	-	3,000
Police bond and fine agency	-	59,901
District court agency	59,879	160,190
Administration of justice agency	79,483	13,123
Police evidence agency	164	-
Total fiduciary funds	<u>196,923</u>	<u>236,214</u>
Total	<u>\$ 3,917,537</u>	<u>\$ 3,917,537</u>

## Notes to Financial Statements

December 31, 2008

6. Individual Fund Disclosures (cont.)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Operating transfers in (out) for the year ended December 31, 2008 are as follows:

<u>Primary Government</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental funds		
General	\$ 2,951,654	\$ 1,372,246
Street	368,280	46,279,000
Sales and use tax	597,768	2,917,654
2004 street improvement construction	-	7,865
2006 street improvement construction	7,865	597,768
Debt service fund	46,279	-
Public library	556,610	-
Shiloh museum board	12,196	-
District court	435,160	-
Community development block grant	1,931	-
HOME investment program	-	1,931
Total governmental funds	<u>4,977,743</u>	<u>4,943,743</u>
Proprietary funds		
City attorney restitution	-	34,000
Total proprietary funds	<u>-</u>	<u>34,000</u>
Total	<u>\$ 4,977,743</u>	<u>\$ 4,977,743</u>

7. Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors three single-employer defined benefit plans and two defined contribution plans. The City also contributes to the Local Police and Fire Retirement System ("LOPFI"), the Arkansas District Judges Retirement System ("ADJRS"), and the Arkansas Public Employees' Retirement System ("APERS"), which are statewide agent multiple-employer defined benefit pension plans. The assets of the plans are maintained in legally separate trusts and each plans' assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan. Separate financial reports are not issued for each plan.

## Notes to Financial Statements

December 31, 2008

7. **Pension Plans** (cont.)*Summary of Significant Accounting Policies***Basis of Accounting**

The City of Springdale's financial statements for its defined benefit plans are prepared using the accrual basis of accounting. Plan member and City contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Method Used to Determine Fair Value of Investments**

The fair value of investments is determined using quoted market prices as determined by the custodial agent.

*Membership Information*

At December 31, 2008, membership of each plan consisted of the following:

	Firemen's Relief and Pension <u>Fund</u>	Policemen's Pension and Relief <u>Fund</u>	Money Purchase Pension <u>Plan</u>
Retirees and beneficiaries receiving benefits	45	36	-
Active plan members	-	-	164
Members on Deferred Retirement Option Plan ("DROP")	<u>2</u>	<u>-</u>	<u>N/A</u>
Total	<u>47</u>	<u>36</u>	<u>164</u>

*Plan Descriptions and Funding Information***Firemen's Relief and Pension Fund**

The Firemen's Fund is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Plan assets are administered by a Board of Trustees consisting of the Mayor, City Clerk/Treasurer, and four active or retired firemen.

**Notes to Financial Statements****December 31, 2008****7. Pension Plans (cont.)**

The Firemen's Fund provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The Firemen's Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Firemen's Fund is effectively closed to new members.

Contributions to the Firemen's Fund are set forth in Arkansas Code. The City's contribution to the Firemen's Fund consists of a one-half mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes six percent (6%) of the firemen's salaries. Participants also contribute six percent (6%) of their salaries. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Firemen's Fund are established by Arkansas code and may not be less than six percent (6%). Accounting and administrative services are performed by personnel of the City at no charge to the Firemen's Fund. Total contributions to the Firemen's Fund in 2008 were \$622,595. The City's share of contributions was \$615,231, and included \$515,727 in property taxes and \$92,140 in state insurance premium taxes.

As of December 31, 2007, the most recent actuarial valuation date, the Firemen's Fund was 73% funded. The actuarial accrued liability for benefits was \$15,320,987 and the actuarial value of assets was \$11,193,261 resulting in an actuarial unfunded accrued liability of \$4,127,726. The covered payroll (annual payroll of active employees covered by the plan) was \$119,739, and the ratio of the unfunded actuarial liability to annual covered payroll was 3447%.

**Policemen's Pension and Relief Fund**

The Policemen's Policemen's Fund is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Plan assets are administered by a Board of Trustees consisting of the Mayor, City Clerk/Treasurer and four active or retired policemen.

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The Policemen's Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

## Notes to Financial Statements

December 31, 2008

7. Pension Plans (cont.)

Contributions to the Policemen's Fund are set forth in Arkansas Code. The City's contribution to the Policemen's Fund consists of a one-half mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, a \$3 assessment against each court case plus 10 percent (10%) of fines and forfeitures collected, and proceeds derived from the sale of confiscated goods. Employer and employee contributions are no longer required as there are no active employees. Participant contributions are returned without interest if the participant terminates covered employment. Accounting and administrative services are performed by personnel of the City at no charge to the Policemen's Fund. Total contributions to the Policemen's Fund in 2008 were \$784,985. The City's share of contributions included \$515,218 in property taxes, \$159,541 in state insurance premium taxes, \$74,376 in fines and forfeitures, \$33,970 in court costs, and \$1,880 from the sale of confiscated goods.

The Policemen's Fund as of December 31, 2007, the most recent actuarial valuation date, was 71% funded. The actuarial accrued liability for benefits was \$14,966,866, and the actuarial value of assets was \$10,594,321, resulting in an actuarial unfunded accrued liability of \$4,372,545. The Policemen's Fund has no covered payroll as there are no active employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

The annual required contributions to the Plans for 2008 were determined as a part of actuarial studies as of December 31, 2007, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (was 6% before 2007 valuation), (b) projected salary increases ranging from 4% to 8% per year, and (c) postretirement benefit increases of 0%. Items (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the market value of investments.

**Three-Year Trend Information**

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Firemen's Relief and Pension Fund	12/31/2005	\$ 1,104,858	49.4%	\$ 1,827,165
	12/31/2006	930,188	51.3%	1,268,271
	12/31/2007	1,104,858	49.4%	1,827,165

## Notes to Financial Statements

December 31, 2008

7. Pension Plans (cont.)

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Policemen's Pension and Relief Fund	12/31/2005	\$ 929,575	70.9%	\$ 139,847
	12/31/2006	665,806	94.9%	173,688
	12/31/2007	660,596	110.0%	107,831

Actuarial valuations for the Policemen's and Firemen's Funds are performed biannually. Listed below are the City's projected annual pension cost and the net pension obligation from the 2007 actuarial reports.

	<u>2007 Annual Pension Cost and Net Pension Obligation (Asset)</u>	
	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Annual required contribution	\$ 1,211,428	\$ 687,331
Interest on net pension obligation	136,794	10,421
Adjustment to annual required contribution	<u>487,720</u>	<u>37,156</u>
Annual pension cost	860,502	660,596
Contributions made	<u>569,093</u>	<u>726,453</u>
Increase (decrease) in net pension obligation	291,409	(65,857)
Net pension obligation (asset) - beginning of year	<u>2,279,902</u>	<u>173,688</u>
Net pension obligation (asset) - end of year	<u>\$ 2,571,311</u>	<u>\$ 107,831</u>

The market decline during 2008 is not reflected in the values for the plan as the latest actuarial date is December 31, 2007.

8. Retirement Plans*Money Purchase Pension Plan*

The Money Purchase Pension Plan ("Money Purchase Plan") is a defined contribution plan, established on October 1, 1999 by City Ordinance No. 2933. The Money Purchase Plan is qualified under Section 401(a) of the Internal Revenue Code ("IRC"). Plan assets are held in trust and administered by the International City Management Association Retirement Corporation ("ICMARC"). Each participant has a plan account to which the contributions are made, and each participant manages their account by selecting various investment options offered by ICMARC. Plan

## Notes to Financial Statements

December 31, 2008

8. Retirement Plans (cont.)

benefits are based upon the total amount of money in an individual's account at retirement. The plan covers all nonuniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute 3% of their salaries to the plan, and the City contributes six percent. There are no voluntary contributions. For the year ended December 31, 2008, employer and employee contributions to the plan were \$373,303 and \$186,652, respectively.

An employee who meets the eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirement. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after one year of participation, and additional 20% each year thereafter until the participant is vested 100% after five years of service. Notwithstanding the vesting schedule, a participant's right to his retained benefit is nonforfeitable and fully vested upon the attainment of his normal retirement age.

Participant's normal retirement age shall be 55, but no later than age 65. The plan also provides for disability and survivor benefits. Benefits are paid by the trustee upon the direction of the administrator under one or more options such as a single lump sum payment or an annuity.

*Agent Multiple-Employer Defined Benefit Pension Plans*

The LOPFI is a statewide agent multiple-employer retirement program that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, Post Office Drawer 34164, Little Rock, Arkansas, 72203.

Contribution requirements are set forth in Arkansas state statute. Participating firemen are required to contribute six percent (6%) of the annual covered salary. Participating policemen are not required to make contributions to the plan. The City is required to contribute at an actuarially determined rate, which for 2008 was 16.88% for paid firemen and 18.13% for paid policemen. At December 31, 2008, there were 110 active paid firemen and 116 active paid policemen. Covered payroll for firemen and policemen was \$4,648,658 and \$4,758,298, respectively.

As of December 31, 2007, the most recent actuarial valuation date, the firemen's portion of the fund was 88% funded. The actuarial accrued liability for benefits was \$12,951,230, and the actuarial value of assets was \$11,360,705, resulting in an actuarial unfunded accrued liability of \$1,590,525. The covered payroll (annual payroll of active employees covered by the plan) was \$4,491,735, and the ratio of the unfunded actuarial liability to annual covered payroll was 35%.

## Notes to Financial Statements

December 31, 2008

8. Retirement Plans (cont.)

The policemen's portion of the fund as of December 31, 2007, the most recent actuarial valuation date, was 68% funded. The actuarial accrued liability for benefits was \$10,650,082, and the actuarial value of assets was \$7,257,780, resulting in an actuarial unfunded accrued liability of \$3,392,302. The covered payroll (annual payroll of active employees covered by the plan) was \$4,538,522, and the ratio of the unfunded actuarial liability to annual covered payroll was 75%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

For 2008, the City's annual pension cost was \$795,405 for paid firemen and \$873,622 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 8.0% per year, compounded annually, (b) projected salary increase of 4.0% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.0% to 5.1% per year, attributable to seniority/merit, (d) preretirement and postretirement mortality based on the 1983 Group Annuity Mortality table set forward one year for men and set forward one year for women, and (e) annual compounded post-retirement increases of 3.0% every other year. The actuarial value of assets was determined using techniques that smooth the short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability (and assets in excess of actuarial accrued liability) is being amortized as a level percentage of projected payrolls on an open basis. The amortization period as of December 31, 2005 was 30 years.

The market decline during 2008 is not reflected in the values for the plan as the latest actuarial date is December 31, 2007.

**Three-Year Trend Information**

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
LOPFI - Firemen	12/31/2006	\$ 613,558	100.0%	\$ -
	12/31/2007	775,600	100.0%	-
	12/31/2008	795,405	100.0%	-
LOPFI - Policemen	12/31/2006	\$ 699,986	100.0%	\$ -
	12/31/2007	812,527	100.0%	-
	12/31/2008	873,622	100.0%	-

## Notes to Financial Statements

December 31, 2008

8. Retirement Plans (cont.)*District Judges and Court Clerk's Retirement System*

On January 1, 2005, the district judge became a member of the ADJRS, a state administered defined benefit plan. Employer contributions for 2008 were 18% of covered payroll for January through June, and 15.48% of covered payroll from July through December; the judge's contribution rate was 5%. The annual pension cost and covered payroll for 2008 were \$16,058 and \$95,926, respectively. The judge's contribution for 2008 was \$4,796. There is one retired clerk receiving benefits from ADJRS.

On January 1, 2005, the district court clerk became a member of the APERS, a state administered defined benefit plan. Employer contributions for 2008 were 12.54% of covered payroll for January through June, and 11.01% of covered payroll from July through December; the court clerk's contribution rate was 5%. The annual pension cost and covered payroll for 2008 were \$5,216 and \$44,294, respectively. The court clerk's contribution for 2008 was \$2,215.

*Pension Plan – Discretely Presented Component Unit*

The Commission adopted a defined contribution money purchase pension plan effective February 1, 1996. The plan is administered under a written Plan and Trust Agreement entered into by the trustee and the Commission. The trustee and plan administrator, Arvest Trust Company, N.A., is responsible for the investment of the plan assets and administration of the plan.

To participate in the plan, an employee must be age 20½, have completed six months of service, be a full time employee (at least 1,000 hours per year), and agree to contribute the mandatory 3.0% employee contribution. An employee who meets the above eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirements. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after two years of participation, and additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

Participants' normal retirement age shall be the later of age 65 or 10 years of participation. Participants may elect qualified early retirement at age 60 with 10 years of service. The plan also provides for disability and survivor benefits. Benefits are paid by the trustee upon the direction of the administrator under one or more options, such as a single lump sum payment or in equal installments over not more than a fifteen (15)-year period.

Employee's contributions are three percent (3%) of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent (10%) of base monthly compensation. The employer contributes six percent (6%) of the employee's base monthly compensation for each plan participant.

## Notes to Financial Statements

December 31, 2008

8. Retirement Plans (cont.)

The Commission accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2008, the Commission's total payroll, covered payroll and contributions were as follows:

Total payroll	\$ 3,606,735
Covered payroll	\$ 3,424,423
Employer's contributions	
Amount	\$ 162,617
Percentage of covered payroll	4.75%
Employees' contributions	
Amount	\$ 94,105
Percentage of covered payroll	2.75%

9. Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with IRC Section 457. One plan is administered by ICMARC, the other plan by Nationwide Retirement Solutions, Inc. All assets and income of the trusts are for the exclusive benefit of eligible employees and their beneficiaries. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plans other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plans in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments, or a combination of these.

The Plan, available to all full time City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$14,000. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

*Deferred Compensation Plan – Discretely Presented Component Unit*

Employees of the Commission are eligible to participate in a deferred compensation plan adopted in January 1976, created in accordance with the IRC, and amended from time to time in compliance with IRC regulations. The assets are held by Jackson National Life and remain the property of the Commission until paid to the employees, subject only to the claims of the Commission's general creditors. The Commission makes no contributions to this plan. The only contributions to the plan are employee elective deferrals.

## Notes to Financial Statements

December 31, 2008

10. Other Postemployment Benefits ("OPEB")*Plan Description*

The City sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of the statute. The City does not issue stand alone financial statements of the plan but all required information is presented in this report.

*Funding Policy*

The contribution requirements of plan members are established by the City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. As of January 1, 2008, the date of the actuarial valuation, the plan has nine active participants who pay monthly premiums between \$319 for single coverage to \$639 for retiree/spouse coverage.

*Annual OPEB Cost and net OPEB Obligation*

The City's annual OPEB expense is calculated based on the annual required contribution ("ARC") of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("UAAL") over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 346,273
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	346,273
Total annual employer contribution (PAYGO cost)	(65,113)
Increase in net OPEB obligation	281,160
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 281,160</u>

The net OPEB obligation is recorded in the government-wide statement of net assets as noncurrent liabilities due in more than one year for governmental activities.

## Notes to Financial Statements

December 31, 2008

10. Other Postemployment Benefits ("OPEB") (cont.)

The components of the ARC calculation reflecting a 30-year amortization period is as follows:

Normal cost	\$ 243,558
Amortization of UAAL	87,804
Interest cost	<u>14,911</u>
Annual required contribution	<u>\$ 346,273</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 346,273	19%	\$ 281,160

*Funded Status and Funding Progress*

As of January 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,757,901, and the actuarial value of assets was zero, resulting in an UAAL of \$2,757,901. The covered payroll was \$15,623,447 and the ratio of the UAAL to the covered payroll was 17.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since this is the first year of implementation, there is no trend data to report.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## Notes to Financial Statements

December 31, 2008

10. Other Postemployment Benefits ("OPEB") (cont.)

In the January 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future, and an annual healthcare cost trend rate of 10% for 2008, reduced by decrements to an ultimate rate of 4.5% in 2016. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2008 was 30 years.

*Discretely Presented Component Unit*

The Commission does not offer post employment benefits and does not offer postretirement benefits other than pensions.

11. Risk Management

The City and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which they carry insurance. The City, however, under Arkansas State Statute, has tort immunity. The type of coverage and the liability limits vary with each entity. Coverage is provided both commercially and through the Arkansas Municipal League ("AML"), which is an association of local governments. AML provides the City with automobile, legal defense and workers' compensation. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers, and population. For risks related to vehicle accidents covered by AML, the City pays a \$1,000 deductible per incident. For legal risks covered by AML, the City pays no deductible; however, the City pays a \$3,000 fee to AML for each legal matter it handles. Coverage under these policies meets statutory liability limits and requirements, and the City's risk of loss is effectively transferred. Additionally, the City has instituted various safety programs to reduce losses. There have been no significant reductions in insurance coverage from 2007 to 2008. Settled claims have not exceeded this commercial insurance in any of the three preceding years.

12. Property Taxes

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property remains delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Washington and Benton Counties are the collecting agents for the City and remit collections to the City, net of a collection fee, on a monthly basis.

## Notes to Financial Statements

December 31, 2008

12. Property Taxes (cont.)

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2008 property taxes receivable and related deferred revenues of \$5,404,987 have been recorded in the governmental funds. In the government-wide statement of net assets, delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20% to arrive at assessed value.

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds, and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2008 to finance the above operations was \$0.57 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.63 per \$100 of assessed valuation on real and personal property. Approximately \$6,622,000 of additional taxes could be raised per year based on the current year's assessed value of \$791,141,434 for real property and \$245,265,603 for personal property before the limit is reached.

13. Sales Taxes

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 22.21% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$8,300,398 for 2008 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Revenues are used to fund capital improvement projects (75%) and general municipal operations and maintenance (25%). The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$10,343,616 for 2008, and are included in the Sales and Use Tax Fund's tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 1.30% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$415,183 for 2008 and are included in the General Fund's tax revenues in the accompanying financial statements.

## Notes to Financial Statements

December 31, 2008

13. Sales Taxes (cont.)

In July 2006, City voters approved a 1% sales and use tax on retail sales in the City. Revenues from the tax are pledged for payment of the principal and interest on the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006 (see also Note 5). This tax replaced the additional 1% sales and use tax approved by City voters in August 2003, which was pledged for payment of the principal and interest on the Series 2004 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$10,343,616 for 2008, and are included in the Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

14. Commitments and Contingencies*Construction Commitments*

Outstanding commitments at December 31, 2008 under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, <u>2008</u>	Remaining Commitments at December 31, <u>2008</u>
Governmental activities		
Capital projects		
Streets	\$ 41,804,731	\$ 22,253,479
Parks	<u>525,590</u>	<u>465,056</u>
Total commitments - primary government	<u>\$ 42,330,321</u>	<u>\$ 22,718,535</u>

*Litigation*

The City, its agencies, and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. It is the opinion of the City's management and legal counsel that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City. However, events could occur in the near term that would cause these estimates to change materially.

## Notes to Financial Statements

December 31, 2008

14. **Commitments and Contingencies (cont.)**

The City is a member of the Municipal League Defense Program, which provides coverage for legal defense, expenses, and damages in suits against City officials and employees and civil rights suits against the municipal government. The program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and employees. The maximum coverage of any one loss cannot exceed 25% of the program's funded reserves at the time the lawsuit was filed or the judgment becomes final, or \$ 1 million, whichever is less.

The City is represented in all other actions by the City Attorney. The City appropriates funds as necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable.

*Contingencies*

The City has received federal and state financial assistance in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under the terms and conditions specified in the grant agreements. In the opinion of City management, such disallowed costs, if any, will not be significant.

15. **Prior Period Adjustment**

The City-wide financial statements include a prior period adjustment to reduce the value of land. As a result, at January 1, 2008, the governmental activities nondepreciable assets and net assets have been decreased by \$204,421.

The City's component unit's financial statements include a prior period adjustment to record unbilled revenue. As a result, at October 1, 2008, net assets have been increased by \$1,684,873.

16. **New GASB Pronouncements**

Other financial and accounting reporting standards which have been issued by GASB, but are not yet required to be implemented by the City are as follows:

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes standards of accounting and financial reporting for intangible assets for all state and local governments. This statement becomes effective for financial statements for periods beginning after June 15, 2009. City management has not determined the impact this statement will have on its financial statements.

## Notes to Financial Statements

December 31, 2008

16. New GASB Pronouncements (cont.)

GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement becomes effective for financial statements for periods beginning after June 15, 2008. City management has not determined the impact this statement will have on its financial statements.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments," issued June 2008, will be effective for the City beginning with its year ending December 31, 2010. This statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirements. The effect of this statement has not yet been determined.

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," issued March 2009 will be effective for the City beginning with its year ending December 31, 2011. This statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this statement to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new statement establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The effect of this statement has not yet been determined.

GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," issued March 2009, will be effective for the City immediately. This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with general accepted accounting principles.

GASB No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards," issued March 2009, will be effective for the City immediately. This statement addresses three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations and subsequent events.

## Notes to Financial Statements

December 31, 2008

17. **Subsequent Event**

The City was hit by a major ice storm at the end of January 2009, resulting in significant damage to trees and utility lines. Subsequently, the area was declared a federal disaster area allowing the City to apply for grant funds from the Federal Emergency Management Agency ("FEMA") and the Arkansas Department of Emergency Management ("ADEM"). The City estimates the total recovery and cleanup costs from the storm to be approximately \$4,200,000, of which, the City expects to be reimbursed by FEMA for 75% and by ADEM for 12.5% of allowable costs incurred.

18. **Pledge of Future Revenues**

The Commission has pledged future water and sewer revenue to pay the debt of the Series 2001 and Series 2006 Revenue Water and Sewer Bonds. Proceeds from the bonds provided financing for the expansion of the sewer treatment plant and sewer system. The bonds are payable from the pledged revenue and are payable through 2026. Annual principal and interest payments on the bonds are expected to be paid fully from the water and sewer revenue. The total principal and interest remaining to be paid on the bonds is \$7,706,275. Principal and interest paid for the current year and pledged revenue was \$2,439,217.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Funding Progress –  
Pension and OPEB Plans**

**For the Year Ended December 31, 2008**

	Actuarial Valuation Date	Actuarial Value of Assets (a)
Firemen's Relief and Pension Fund	12/31/1997	\$ 10,099,646
	12/31/1999	11,945,698
	12/31/2001	12,103,885
	12/31/2003	11,502,740
	12/31/2005	11,414,649
	b 12/31/2007	11,193,261
	a 12/31/2007	11,193,261
Policemen's Pension and Relief Fund	12/31/1997	7,950,901
	12/31/1999	9,276,276
	12/31/2001	9,099,818
	12/31/2003	8,945,332
	12/31/2005	9,967,476
	b 12/31/2007	10,594,321
	a 12/31/2007	10,594,321
Local Police and Fire Retirement System - Paid Firemen	12/31/2002	5,152,712
	12/31/2003	5,753,420
	12/31/2004	6,375,887
	12/31/2005	7,531,495
	12/31/2006	9,272,909
	12/31/2007	11,360,705
	Local Police and Fire Retirement System - Volunteer Firemen	12/31/2002
12/31/2003		11,585
12/31/2004		10,865
12/31/2005		12,451
12/31/2006		N/A
12/31/2007		N/A
Local Police and Fire Retirement System - Policemen		12/31/2002
	12/31/2003	4,589,343
	12/31/2004	5,199,753
	12/31/2005	5,706,520
	12/31/2006	6,140,075
	12/31/2007	7,257,780

- a. For this valuation, in consultation with the Pension Review Board, the assumptions were changed to a 7% discount rate and 83GAM mortality.
- b. These are the results at the assumptions used in previous valuations, 6% discount, 71GAM mortality.

Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
\$ 10,973,116	\$ 873,470	92.0%	\$ 781,690	111.7%
12,692,061	746,363	94.1%	486,603	153.4%
16,971,518	4,867,633	71.3%	438,067	1111.2%
17,358,658	5,855,918	66.3%	139,793	4189.0%
16,907,308	5,492,659	67.5%	107,698	5100.1%
15,914,269	4,721,008	70.3%	119,739	3942.8%
15,320,987	4,127,726	73.1%	119,739	3447.3%
9,181,117	1,230,216	86.6%	514,231	239.2%
10,368,517	1,092,241	89.5%	598,532	182.5%
11,651,301	2,551,483	78.1%	400,584	636.9%
12,948,344	4,003,012	69.1%	160,303	2497.1%
13,180,480	3,213,004	75.6%	0	N/A
15,784,209	5,189,888	67.1%	0	N/A
14,966,866	4,372,545	70.8%	0	N/A
4,349,448	(803,264)	118.0%	2,443,634	(33.0%)
5,947,083	193,663	97.0%	2,722,712	7.0%
8,065,272	1,689,385	79.0%	3,062,336	55.0%
9,032,836	1,501,341	83.0%	3,342,774	45.0%
10,835,111	1,562,202	86.0%	3,920,500	40.0%
12,951,230	1,590,525	88.0%	4,491,735	35.0%
14,420	3,501	76.0%	N/A	N/A
18,040	6,455	64.0%	N/A	N/A
19,855	8,990	55.0%	N/A	N/A
21,367	8,916	58.0%	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
4,373,121	425,094	90.0%	3,081,907	14.0%
5,474,276	884,933	84.0%	3,200,722	28.0%
7,400,359	2,200,606	70.0%	3,483,157	63.0%
8,608,058	2,901,538	66.0%	3,615,225	80.0%
9,298,333	3,158,258	66.0%	3,993,676	79.0%
10,650,082	3,392,302	68.0%	4,538,522	75.0%

See accompanying notes to the basic financial statements.

**Schedule of Employer Contributions –  
Defined Benefit Pension Plans**

**For the Year Ended December 31, 2008**

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	12/31/2001	\$ 932,036	34.4%
	12/31/2003	1,071,911	68.8%
	12/31/2004	1,300,073	38.8%
	12/31/2005	1,300,073	42.0%
	12/31/2006	1,211,428	39.4%
	12/31/2007	1,211,428	47.0%
Policemen's Pension and Relief Fund	12/31/2001	437,259	92.8%
	12/31/2003	590,851	86.9%
	12/31/2004	909,449	63.8%
	12/31/2005	909,449	72.5%
	12/31/2006	687,331	91.9%
	12/31/2007	687,331	105.7%
Local Police and Fire Retirement System - Firemen	12/31/2002	150,506	100.0%
	12/31/2003	168,445	100.0%
	12/31/2004	342,199	100.0%
	12/31/2005	408,351	100.0%
	12/31/2006	613,558	100.0%
	12/31/2007	775,600	100.0%
Local Police and Fire Retirement System - Policemen	12/31/2002	338,161	100.0%
	12/31/2003	350,248	100.0%
	12/31/2004	511,706	100.0%
	12/31/2005	515,221	100.0%
	12/31/2006	699,986	100.0%
	12/31/2007	812,527	100.0%

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 8,688,600	\$ 8,688,600	\$ 8,715,582	\$ 26,982
Ad valorem	4,030,000	4,030,000	4,288,733	258,733
Franchise	3,287,500	3,287,500	3,350,352	62,852
Fees and permits				
Building permits	750,000	750,000	384,158	(365,842)
Occupation permits	86,600	86,600	84,968	(1,632)
Other	98,000	98,000	86,628	(11,372)
Intergovernmental				
Federal and state grants	261,720	397,920	507,676	109,756
State turnback	1,131,800	1,131,800	1,170,527	38,727
State turnback - insurance	545,000	545,000	567,074	22,074
County turnback	218,440	218,440	219,959	1,519
Other	159,800	233,000	258,635	25,635
Charges for services				
Ambulance fees	910,000	910,000	1,108,077	198,077
Other service fees	178,500	178,500	337,639	159,139
Fines and forfeitures	942,000	942,000	868,102	(73,898)
Miscellaneous	257,100	261,043	621,059	360,016
Total revenues	<u>21,545,060</u>	<u>21,758,403</u>	<u>22,569,169</u>	<u>810,766</u>
Expenditures				
General government				
Administration				
Personnel	1,173,720	1,173,720	1,154,158	19,562
Buildings and equipment	327,200	327,200	308,549	18,651
Supplies	157,500	157,500	142,960	14,540
Other	361,020	361,020	354,255	6,765
Economic development	316,443	316,443	319,463	(3,020)
Capital	20,600	20,600	25,986	(5,386)
Total administration expenditures	<u>2,356,483</u>	<u>2,356,483</u>	<u>2,305,371</u>	<u>51,112</u>
City attorney				
Personnel	619,650	618,650	624,454	(5,804)
Buildings and equipment	21,800	21,800	20,781	1,019
Supplies	12,400	12,400	11,782	618
Other	21,480	17,480	16,648	832
Total city attorney expenditures	<u>675,330</u>	<u>670,330</u>	<u>673,665</u>	<u>(3,335)</u>
Total general government expenditures	<u>3,031,813</u>	<u>3,026,813</u>	<u>2,979,036</u>	<u>47,777</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund (cont.)**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Culture and recreation				
Shiloh museum				
Personnel	\$ 432,760	\$ 432,760	\$ 431,134	\$ 1,626
Buildings and equipment	31,200	31,200	22,615	8,585
Supplies	51,800	51,800	56,908	(5,108)
Other	14,600	14,600	11,698	2,902
Capital	-	136,200	137,834	(1,634)
Total shiloh museum expenditures	<u>530,360</u>	<u>666,560</u>	<u>660,189</u>	<u>6,371</u>
Parks and recreation				
Personnel	1,014,400	1,014,400	969,413	44,987
Buildings and equipment	181,550	181,550	167,168	14,382
Supplies	180,500	180,500	184,783	(4,283)
Other	84,200	84,200	83,218	982
Capital	-	-	30,000	(30,000)
Total parks and recreation expenditures	<u>1,460,650</u>	<u>1,460,650</u>	<u>1,434,582</u>	<u>26,068</u>
Total culture and recreation expenditures	<u>1,991,010</u>	<u>2,127,210</u>	<u>2,094,771</u>	<u>32,439</u>
Community development				
Planning and community development				
Personnel	700,200	700,200	667,462	32,738
Buildings and equipment	24,000	24,000	13,252	10,748
Supplies	37,000	37,000	22,750	14,250
Other	75,720	75,720	53,640	22,080
Total community development expenditures	<u>836,920</u>	<u>836,920</u>	<u>757,104</u>	<u>79,816</u>
Public safety				
Animal services				
Personnel	378,450	378,450	379,621	(1,171)
Buildings and equipment	41,000	41,000	27,251	13,749
Supplies	72,160	72,160	60,197	11,963
Other	15,150	19,093	26,180	(7,087)
Capital	53,250	53,250	24,103	29,147
Total animal services expenditures	<u>560,010</u>	<u>563,953</u>	<u>517,352</u>	<u>46,601</u>
Building inspection				
Personnel	764,930	764,930	712,259	52,671
Buildings and equipment	17,100	17,100	10,246	6,854
Supplies	65,500	65,500	45,945	19,555
Other	45,000	60,000	56,440	3,560
Total building inspection expenditures	<u>892,530</u>	<u>907,530</u>	<u>824,890</u>	<u>82,640</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund (cont.)**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures (cont.)				
Police				
Personnel	\$ 9,344,600	\$ 9,344,600	\$ 8,955,187	\$ 389,413
Buildings and equipment	159,900	159,900	251,371	(91,471)
Supplies	408,400	413,400	470,030	(56,630)
Other	330,500	450,500	535,497	(84,997)
Capital	333,500	356,900	406,487	(49,587)
Total police expenditures	<u>10,576,900</u>	<u>10,725,300</u>	<u>10,618,572</u>	<u>106,728</u>
Fire				
Personnel	7,495,390	7,495,390	7,494,348	1,042
Buildings and equipment	213,000	213,000	348,202	(135,202)
Supplies	401,500	401,500	401,610	(110)
Other	232,000	232,000	196,884	35,116
Capital	203,500	203,500	170,627	32,873
Total fire expenditures	<u>8,545,390</u>	<u>8,545,390</u>	<u>8,611,671</u>	<u>(66,281)</u>
Total public safety expenditures	<u>20,574,830</u>	<u>20,742,173</u>	<u>20,572,485</u>	<u>169,688</u>
Total expenditures	<u>26,434,573</u>	<u>26,733,116</u>	<u>26,403,396</u>	<u>329,720</u>
Excess (deficiency) of revenues over expenditures	<u>(4,889,513)</u>	<u>(4,974,713)</u>	<u>(3,834,227)</u>	<u>1,140,486</u>
Other financing sources (uses)				
Transfers in	3,299,350	3,299,350	2,951,654	(347,696)
Transfers out	(1,455,930)	(1,455,930)	(1,372,246)	83,684
Proceeds from sale of capital assets	-	15,650	23,035	7,385
Insurance recoveries - capital assets	-	7,750	157,174	149,424
Total other financing sources (uses)	<u>1,843,420</u>	<u>1,866,820</u>	<u>1,759,617</u>	<u>(107,203)</u>
Net change in fund balance	(3,046,093)	(3,107,893)	(2,074,610)	1,033,283
Fund balance - beginning of year	<u>5,712,995</u>	<u>5,712,995</u>	<u>5,712,995</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,666,902</u>	<u>\$ 2,605,102</u>	<u>\$ 3,638,385</u>	<u>\$ 1,033,283</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Street Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Ad valorem	\$ 815,700	\$ 815,700	\$ 821,760	\$ 6,060
Fees and permits				
Street and curb cuts	1,700	1,700	2,107	407
Other	500	500	1,490	990
Intergovernmental				
Federal and state grants	-	-	4,991	4,991
State turnback - street	2,873,100	2,873,100	2,862,839	(10,261)
Charges for goods and services				
Street signs	30,000	30,000	23,040	(6,960)
Street and curb cut repairs	16,500	16,500	19,009	2,509
Other	1,200	1,200	5,636	4,436
Interest	5,000	5,000	10,666	5,666
Miscellaneous	10,000	10,000	5,684	(4,316)
Total revenues	<u>3,753,700</u>	<u>3,753,700</u>	<u>3,757,222</u>	<u>3,522</u>
Expenditures				
Public works				
Street fund				
Personnel	2,124,150	2,124,150	2,024,985	99,165
Buildings and equipment	173,700	173,700	163,445	10,255
Supplies	993,700	993,700	1,029,820	(36,120)
Other	757,220	803,500	744,255	59,245
Capital	453,280	407,000	326,150	80,850
Total public works expenditures	<u>4,502,050</u>	<u>4,502,050</u>	<u>4,288,655</u>	<u>213,395</u>
Excess (deficiency) of revenues over expenditures	<u>(748,350)</u>	<u>(748,350)</u>	<u>(531,433)</u>	<u>216,917</u>
Other financing sources (uses)				
Transfers in	371,880	371,880	368,280	(3,600)
Transfers out	(46,280)	(46,280)	(46,279)	1
Developers contributions	-	-	32,350	32,350
Proceeds from sale of capital assets	-	-	53,500	53,500
Insurance recoveries - capital assets	-	-	19,565	19,565
Total other financing sources (uses)	<u>325,600</u>	<u>325,600</u>	<u>427,416</u>	<u>101,816</u>
Net changes in fund balance	(422,750)	(422,750)	(104,017)	318,733
Fund balance - beginning of year	<u>624,846</u>	<u>624,846</u>	<u>624,846</u>	<u>-</u>
Fund balance - end of year	<u>\$ 202,096</u>	<u>\$ 202,096</u>	<u>\$ 520,829</u>	<u>\$ 318,733</u>

See accompanying notes to the basic financial statements.

Notes to Required Supplementary Information

For the Year Ended December 31, 2008

**Stewardship, Compliance and Accountability**

*Budgetary Information*

The City follows these procedures as set out by City Ordinance in establishing the budgetary data reflected in the financial statements:

- During July, public hearings are conducted which allow for taxpayer comments.
- On or before August 1, staff projects revenue available for the following year.
- On or before September 1, the Mayor projects funds available for each division/department.
- On or before September 15, division /department heads deliver proposed detailed budget to the Mayor for review. City Council sets the dates for work sessions in October and November to review and make budget changes.
- On or before October 15, the Mayor delivers the proposed budget to the City Council.
- During October and November, the City Council conducts special work sessions to review the budget with each division/department head.
- On or before December 10, the City Council legally enacts a budget through passage of a resolution. State law requires the adoption of the annual budget on or before February 1 of each year.

**CITY OF SPRINGDALE, ARKANSAS**

**Combining Balance Sheet –  
Nonmajor Governmental Funds**

**December 31, 2008**

<u>Assets</u>	<u>Special Revenue Funds</u>				
	<u>Public Library Fund</u>	<u>Shiloh Museum Board Fund</u>	<u>Advertising and Promotion Fund</u>	<u>District Court Costs Fund</u>	<u>Parks Activity Fund</u>
Cash and cash equivalents	\$ 55,373	\$ 84,223	\$ 71,574	\$ 159,998	\$ 57,644
Investments	-	728,663	65,000	-	-
Accounts receivable, net	-	-	11,771	-	-
Interest receivable	-	-	207	-	-
Intergovernmental receivables, net	-	-	-	19,480	-
Due from other funds	22,767	-	-	28,485	-
Assets held for resale	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 78,140</u></b>	<b><u>\$ 812,886</u></b>	<b><u>\$ 148,552</u></b>	<b><u>\$ 207,963</u></b>	<b><u>\$ 57,644</u></b>
 <u>Liabilities and Fund Balance</u>					
<b>Liabilities</b>					
Accounts payable	\$ 50,769	\$ 381	\$ 28,859	\$ 451	\$ 2,864
Salaries payable	26,552	-	-	15,683	481
Due to other funds	-	-	-	321	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b><u>77,321</u></b>	<b><u>381</u></b>	<b><u>28,859</u></b>	<b><u>16,455</u></b>	<b><u>3,345</u></b>
 <b>Fund balances</b>					
<b>Reserved</b>					
Assets held for resale	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Court automation	-	-	-	158,824	-
Endowments	-	728,663	-	-	-
Grant expenditures	-	-	-	-	-
<b>Unreserved</b>					
<b>Designated for</b>					
Library materials	-	-	-	-	-
Undesignated (deficit)	819	83,842	119,693	32,684	54,299
<b>Total fund balances</b>	<b><u>819</u></b>	<b><u>812,505</u></b>	<b><u>119,693</u></b>	<b><u>191,508</u></b>	<b><u>54,299</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 78,140</u></b>	 <b><u>\$ 812,886</u></b>	 <b><u>\$ 148,552</u></b>	 <b><u>\$ 207,963</u></b>	 <b><u>\$ 57,644</u></b>

Arvest Ballpark Fund	Community Development Block Grant Fund	Home Investment Program Fund	Capital	Permanent Funds		Total Nonmajor Governmental Funds
			Projects Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
			Public Facilities Board Fund			
\$ 17,370	\$ 3,255	\$ -	\$ 223,592	\$ 83,125	\$ 523,976	\$ 1,280,130
280,000	-	-	2,549,392	529,912	89,873	4,242,840
-	-	-	7,914	15,040	-	34,725
4,966	-	-	-	1,764	74	7,011
-	-	-	-	-	-	19,480
-	-	-	-	16	-	51,268
-	-	-	1,119,593	-	-	1,119,593
-	-	-	42,500	-	-	42,500
<u>\$ 302,336</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 3,942,991</u>	<u>\$ 629,857</u>	<u>\$ 613,923</u>	<u>\$ 6,797,547</u>
\$ 16,856	\$ 12,504	\$ -	\$ -	\$ 1,448	\$ -	\$ 114,132
-	2,231	-	-	525	-	45,472
-	-	-	-	-	22,767	23,088
54,167	-	-	-	-	-	54,167
<u>71,023</u>	<u>14,735</u>	<u>-</u>	<u>-</u>	<u>1,973</u>	<u>22,767</u>	<u>236,859</u>
-	-	-	1,119,593	-	-	1,119,593
-	-	-	-	41,475	-	41,475
-	-	-	-	-	-	158,824
-	-	-	-	-	89,873	818,536
-	-	-	-	-	64,045	64,045
-	-	-	-	-	8,036	8,036
231,313	(11,480)	-	2,823,398	586,409	429,202	4,350,179
<u>231,313</u>	<u>(11,480)</u>	<u>-</u>	<u>3,942,991</u>	<u>627,884</u>	<u>591,156</u>	<u>6,560,688</u>
<u>\$ 302,336</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 3,942,991</u>	<u>\$ 629,857</u>	<u>\$ 613,923</u>	<u>\$ 6,797,547</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances –  
Nonmajor Governmental Funds**

**For the Year Ended December 31, 2008**

	Special Revenue Funds				
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Parks Activity Fund
<b>Revenues</b>					
Taxes	\$ 30,269	\$ -	\$ 252,695	\$ -	\$ -
Fees and permits	-	20,762	-	145,798	-
Intergovernmental	921,418	15,315	-	74,520	-
Charges for goods and services	-	6,955	-	-	139,902
Fines and forfeitures	73,183	-	-	-	-
Investment earnings (losses)	2,862	(300,216)	3,221	10,084	1,143
Miscellaneous	68,393	41,934	-	190	28,306
<b>Total revenues</b>	<u>1,096,125</u>	<u>(215,250)</u>	<u>255,916</u>	<u>230,592</u>	<u>169,351</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	622,271	-
Community development	-	-	-	-	-
Culture and recreation	1,686,779	46,062	-	-	142,431
Economic development	-	-	268,683	-	-
Capital expenditures	3,404	53,696	-	-	18,086
<b>Total expenditures</b>	<u>1,690,183</u>	<u>99,758</u>	<u>268,683</u>	<u>622,271</u>	<u>160,517</u>
Excess (deficiency) of revenues over expenditures	<u>(594,058)</u>	<u>(315,008)</u>	<u>(12,767)</u>	<u>(391,679)</u>	<u>8,834</u>
<b>Other financing sources (uses)</b>					
Transfers in	556,610	12,196	-	435,160	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>556,610</u>	<u>12,196</u>	<u>-</u>	<u>435,160</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(37,448)</u>	<u>(302,812)</u>	<u>(12,767)</u>	<u>43,481</u>	<u>8,834</u>
<b>Fund balances - beginning of year</b>	<u>38,267</u>	<u>1,115,317</u>	<u>132,460</u>	<u>148,027</u>	<u>45,465</u>
<b>Fund balances - end of year</b>	<u>\$ 819</u>	<u>\$ 812,505</u>	<u>\$ 119,693</u>	<u>\$ 191,508</u>	<u>\$ 54,299</u>

Arvest Ballpark Fund	Community Development Block Grant Fund	Home Investment Program Fund	Capital	Permanent Funds		Total Nonmajor Governmental Funds
			Projects Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
			Public Facilities Board Fund			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,964
-	-	-	-	-	-	166,560
-	468,832	-	79,000	-	-	1,559,085
270,833	-	-	150,000	31,480	-	599,170
-	-	-	-	-	-	73,183
5,214	-	-	102,307	22,496	(60,129)	(213,018)
-	62,263	-	-	-	29,802	230,888
<u>276,047</u>	<u>531,095</u>	<u>-</u>	<u>331,307</u>	<u>53,976</u>	<u>(30,327)</u>	<u>2,698,832</u>
-	-	-	-	51,084	-	673,355
-	542,882	-	-	-	-	542,882
44,734	-	-	-	-	51,193	1,971,199
-	-	-	43,031	-	-	311,714
-	-	-	-	-	13,245	88,431
<u>44,734</u>	<u>542,882</u>	<u>-</u>	<u>43,031</u>	<u>51,084</u>	<u>64,438</u>	<u>3,587,581</u>
<u>231,313</u>	<u>(11,787)</u>	<u>-</u>	<u>288,276</u>	<u>2,892</u>	<u>(94,765)</u>	<u>(888,749)</u>
-	1,931	-	-	-	-	1,005,897
-	-	(1,931)	-	-	-	(1,931)
-	1,931	(1,931)	-	-	-	1,003,966
231,313	(9,856)	(1,931)	288,276	2,892	(94,765)	115,217
-	(1,624)	1,931	3,654,715	624,992	685,921	6,445,471
<u>\$ 231,313</u>	<u>\$ (11,480)</u>	<u>\$ -</u>	<u>\$ 3,942,991</u>	<u>\$ 627,884</u>	<u>\$ 591,156</u>	<u>\$ 6,560,688</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Net Assets –  
Nonmajor Proprietary Funds**

**December 31, 2008**

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Total Nonmajor Proprietary Funds</u>
	<u>Parks Soccer Program Fund</u>	<u>City Attorney Restitution Fund</u>	<u>Sanitation Fund</u>	
Current assets				
Cash and cash equivalents	\$ 70,020	\$ 9,820	\$ 30,521	\$ 110,361
Accounts receivable	-	-	17,749	17,749
Total current assets	<u>70,020</u>	<u>9,820</u>	<u>48,270</u>	<u>128,110</u>
Capital assets				
Land and improvements	21,376	-	-	21,376
Machinery and equipment	47,495	19,471	101,000	167,966
Less accumulated depreciation	<u>(11,775)</u>	<u>(19,471)</u>	<u>(15,150)</u>	<u>(46,396)</u>
Total capital assets, net of accumulated depreciation	<u>57,096</u>	<u>-</u>	<u>85,850</u>	<u>142,946</u>
Total assets	<u>\$ 127,116</u>	<u>\$ 9,820</u>	<u>\$ 134,120</u>	<u>\$ 271,056</u>
 <u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 77	\$ -	\$ 1,196	\$ 1,273
Salaries payable	843	-	1,648	2,491
Total current liabilities	<u>920</u>	<u>-</u>	<u>2,844</u>	<u>3,764</u>
Noncurrent liabilities				
Compensated absences	<u>796</u>	<u>-</u>	<u>1,355</u>	<u>2,151</u>
Total liabilities	<u>1,716</u>	<u>-</u>	<u>4,199</u>	<u>5,915</u>
Net assets				
Invested in capital assets, net of related debt	57,096	-	85,850	142,946
Unrestricted	<u>68,304</u>	<u>9,820</u>	<u>44,071</u>	<u>122,195</u>
Total net assets	<u>125,400</u>	<u>9,820</u>	<u>129,921</u>	<u>265,141</u>
Total liabilities and net assets	<u>\$ 127,116</u>	<u>\$ 9,820</u>	<u>\$ 134,120</u>	<u>\$ 271,056</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Revenues, Expenses and Changes in Net Assets –  
Nonmajor Proprietary Funds**

**For the Year Ended December 31, 2008**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating revenues				
Charges for services				
Activity fees	\$ 106,806	\$ -	\$ -	\$ 106,806
Other service fees	-	29,195	102,980	132,175
Total operating revenues	106,806	29,195	102,980	238,981
Operating expenses				
Personnel	72,863	-	60,649	133,512
Maintenance	5,866	-	1,220	7,086
Supplies	25,048	3,363	10,601	39,012
Other	16,232	-	1,007	17,239
Depreciation	4,130	-	10,100	14,230
Total operating expenses	124,139	3,363	83,577	211,079
Operating income (loss)	(17,333)	25,832	19,403	27,902
Nonoperating revenue (expense)				
Contributions	5,596	-	-	5,596
Investment earnings	1,942	-	343	2,285
Total nonoperating revenue	7,538	-	343	7,881
Income before transfers	(9,795)	25,832	19,746	35,783
Transfers out	-	(34,000)	-	(34,000)
Changes in net assets	(9,795)	(8,168)	19,746	1,783
Net assets - beginning of year	135,195	17,988	110,175	263,358
Net assets - end of year	\$ 125,400	\$ 9,820	\$ 129,921	\$ 265,141

See accompanying notes to the basic financial statements.

**Combining Statement of Cash Flows –  
Nonmajor Proprietary Funds**

**For the Year Ended December 31, 2008**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash flows from operating activities				
Receipts from customers and users	\$ 106,806	\$ 29,195	\$ 101,786	\$ 237,787
Payments to suppliers	(51,294)	(3,363)	(12,453)	(67,110)
Payments to employees	(71,907)	-	(58,964)	(130,871)
Net cash provided (used) by operating activities	<u>(16,395)</u>	<u>25,832</u>	<u>30,369</u>	<u>39,806</u>
Cash flows from noncapital financing activities				
Contributions	5,596	-	-	5,596
Transfers to other funds	-	(34,000)	-	(34,000)
Receipt (payment) of interfund balances	-	(233)	(191)	(424)
Net cash provided (used) by noncapital financing activities	<u>5,596</u>	<u>(34,233)</u>	<u>(191)</u>	<u>(28,828)</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	(13,925)	-	-	(13,925)
Net cash used by capital and related financing activities	<u>(13,925)</u>	<u>-</u>	<u>-</u>	<u>(13,925)</u>
Cash flows from investing activities				
Proceeds from maturities of investments	100,000	-	-	100,000
Purchases of investments	(50,000)	-	-	(50,000)
Interest received	2,207	-	343	2,550
Net cash provided by investing activities	<u>52,207</u>	<u>-</u>	<u>343</u>	<u>52,550</u>
Net increase (decrease) in cash and cash equivalents	27,483	(8,401)	30,521	49,603
Cash and cash equivalents - beginning of year	42,537	18,221	-	60,758
Cash and cash equivalents - end of year	<u>\$ 70,020</u>	<u>\$ 9,820</u>	<u>\$ 30,521</u>	<u>\$ 110,361</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (17,333)	\$ 25,832	\$ 19,403	\$ 27,902
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	4,130	-	10,100	14,230
Changes in operating assets and liabilities				
Accounts receivable	-	-	(1,194)	(1,194)
Accounts payable	(4,148)	-	375	(3,773)
Salaries payable	160	-	330	490
Compensated absences	796	-	1,355	2,151
Net cash provided (used) by operating activities	<u>\$ (16,395)</u>	<u>\$ 25,832</u>	<u>\$ 30,369</u>	<u>\$ 39,806</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds**

**For the Year Ended December 31, 2008**

	<u>Balance</u> <u>01/01/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2008</u>
<b>Police Bond and Fine Fund</b>				
Assets				
Cash	\$ 70,433	\$ 343	\$ 4,153	\$ 66,623
Liabilities				
Due to other funds	\$ 63,711	\$ 343	\$ 4,153	\$ 59,901
Accounts payable	6,722	-	-	6,722
Total liabilities	<u>\$ 70,433</u>	<u>\$ 343</u>	<u>\$ 4,153</u>	<u>\$ 66,623</u>
 <b>District Court Fund</b>				
Assets				
Cash	\$ 457,100	\$ 2,384,829	\$ 2,364,278	\$ 477,651
Accounts receivable	1,172,538	2,414,273	2,319,378	1,267,433
Due from other funds	63,228	56	3,405	59,879
Total assets	<u>\$ 1,692,866</u>	<u>\$ 4,799,158</u>	<u>\$ 4,687,061</u>	<u>\$ 1,804,963</u>
Liabilities				
Due to other funds	\$ 155,341	\$ 150,121	\$ 145,272	\$ 160,190
Accounts payable	1,537,525	1,710,320	1,603,072	1,644,773
Total liabilities	<u>\$ 1,692,866</u>	<u>\$ 1,860,441</u>	<u>\$ 1,748,344</u>	<u>\$ 1,804,963</u>
 <b>Payroll Fund</b>				
Assets				
Cash	\$ 428,539	\$ 11,338,967	\$ 11,333,164	\$ 434,342
Liabilities				
Due to other funds	\$ 3,000	\$ -	\$ -	\$ 3,000
Accounts payable	425,539	11,488,103	11,482,300	431,342
Total liabilities	<u>\$ 428,539</u>	<u>\$ 11,488,103</u>	<u>\$ 11,482,300</u>	<u>\$ 434,342</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds (cont.)**

**For the Year Ended December 31, 2008**

	Balance <u>01/01/2008</u>	Additions	Deletions	Balance <u>12/31/2008</u>
<b>Police Evidence Fund</b>				
Assets				
Cash	\$ 48,053	\$ 3,975	\$ 1,697	\$ 50,331
Due from other funds	<u>415</u>	<u>-</u>	<u>251</u>	<u>164</u>
Total assets	<u>\$ 48,468</u>	<u>\$ 3,975</u>	<u>\$ 1,948</u>	<u>\$ 50,495</u>
Liabilities				
Accounts payable	<u>\$ 48,468</u>	<u>\$ 3,724</u>	<u>\$ 1,697</u>	<u>\$ 50,495</u>
 <b>Administration of Justice Fund</b>				
Assets				
Cash	\$ -	\$ 1,105,746	\$ 1,105,746	\$ -
Due from other funds	<u>79,003</u>	<u>1,106,101</u>	<u>1,105,621</u>	<u>79,483</u>
Total assets	<u>\$ 79,003</u>	<u>\$ 2,211,847</u>	<u>\$ 2,211,367</u>	<u>\$ 79,483</u>
Liabilities				
Due to other funds	\$ 12,716	\$ 157,479	\$ 157,072	\$ 13,123
Accounts payable	<u>66,287</u>	<u>948,622</u>	<u>948,549</u>	<u>66,360</u>
Total liabilities	<u>\$ 79,003</u>	<u>\$ 1,106,101</u>	<u>\$ 1,105,621</u>	<u>\$ 79,483</u>
 <b>All Agency Funds</b>				
Assets				
Cash	\$ 1,004,125	\$ 14,833,860	\$ 14,809,038	\$ 1,028,947
Accounts receivable	1,172,538	2,414,273	2,319,378	1,267,433
Due from other funds	<u>142,646</u>	<u>1,106,157</u>	<u>1,109,277</u>	<u>139,526</u>
Total assets	<u>\$ 2,319,309</u>	<u>\$ 18,354,290</u>	<u>\$ 18,237,693</u>	<u>\$ 2,435,906</u>
Liabilities				
Due to other funds	\$ 234,768	\$ 307,943	\$ 306,497	\$ 236,214
Accounts payable	<u>2,084,541</u>	<u>14,150,769</u>	<u>14,035,618</u>	<u>2,199,692</u>
Total liabilities	<u>\$ 2,319,309</u>	<u>\$ 14,458,712</u>	<u>\$ 14,342,115</u>	<u>\$ 2,435,906</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Sales and Use Tax Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Sales	\$ 11,500,000	\$ 11,500,000	\$ 10,343,616	\$ (1,156,384)
Investment earnings	345,000	345,000	481,786	136,786
Miscellaneous	-	-	9,633	9,633
Total revenues	<u>11,845,000</u>	<u>11,845,000</u>	<u>10,835,035</u>	<u>(1,009,965)</u>
Expenditures				
Capital projects				
Capital	<u>10,487,000</u>	<u>10,487,000</u>	<u>4,586,704</u>	<u>5,900,296</u>
Excess (deficiency) of revenues over expenditures	<u>1,358,000</u>	<u>1,358,000</u>	<u>6,248,331</u>	<u>4,890,331</u>
Other financing sources (uses)				
Transfers in	-	-	597,768	597,768
Transfers out	(3,267,350)	(3,267,350)	(2,917,654)	349,696
Developer contributions	-	-	80,150	80,150
Total other financing sources (uses)	<u>(3,267,350)</u>	<u>(3,267,350)</u>	<u>(2,239,736)</u>	<u>1,027,614</u>
Net changes in fund balance	(1,909,350)	(1,909,350)	4,008,595	5,917,945
Fund balance - beginning of year	<u>15,247,159</u>	<u>15,247,159</u>	<u>15,247,159</u>	<u>-</u>
Fund balance - end of year	<u>\$ 13,337,809</u>	<u>\$ 13,337,809</u>	<u>\$ 19,255,754</u>	<u>\$ 5,917,945</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – 2004 Street Improvement Bonds Construction Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Investment earnings	\$ 5,000	\$ 5,000	\$ 5,738	\$ 738
Expenditures				
Capital projects				
Capital	<u>1,927,240</u>	<u>1,927,240</u>	<u>431,182</u>	<u>1,496,058</u>
Excess (deficiency) of revenues over expenditures	(1,922,240)	(1,922,240)	(425,444)	1,496,796
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(7,865)</u>	<u>(7,865)</u>
Net changes in fund balance	(1,922,240)	(1,922,240)	(433,309)	1,488,931
Fund balance - beginning of year	<u>654,578</u>	<u>654,578</u>	<u>654,578</u>	<u>-</u>
Fund balance - end of year	<u>\$ (1,267,662)</u>	<u>\$ (1,267,662)</u>	<u>\$ 221,269</u>	<u>\$ 1,488,931</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – 2006 Street Improvement Bonds Construction Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Investment earnings (losses)	\$ 1,150,000	\$ 1,150,000	\$ 839,640	\$ (310,360)
Miscellaneous	-	-	1,237	1,237
Total revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>840,877</u>	<u>(309,123)</u>
Expenditures				
Capital projects				
Capital	<u>26,642,550</u>	<u>26,642,550</u>	<u>30,010,617</u>	<u>(3,368,067)</u>
Excess (deficiency) of revenues over expenditures	<u>(25,492,550)</u>	<u>(25,492,550)</u>	<u>(29,169,740)</u>	<u>(3,677,190)</u>
Other financing sources (uses)				
Transfers in	-	-	7,865	7,865
Transfers out	-	-	(597,768)	(597,768)
Developer contributions	-	-	53,786	53,786
Proceeds from sale of capital assets	-	-	211,330	211,330
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(324,787)</u>	<u>(324,787)</u>
Net changes in fund balance	(25,492,550)	(25,492,550)	(29,494,527)	(4,001,977)
Fund balance - beginning of year	<u>45,315,341</u>	<u>45,315,241</u>	<u>45,315,241</u>	<u>-</u>
Fund balance - end of year	<u>\$ 19,822,791</u>	<u>\$ 19,822,691</u>	<u>\$ 15,820,714</u>	<u>\$ (4,001,977)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Baseball Stadium Construction Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings (losses)	\$ 195,000	\$ 195,000	\$ 102,653	\$ (92,347)
Expenditures				
Capital projects				
Capital	<u>12,433,755</u>	<u>12,433,755</u>	<u>12,507,096</u>	<u>(73,341)</u>
Excess (deficiency) of revenues over expenditures	(12,238,755)	(12,238,755)	(12,404,443)	(165,688)
Other financing sources (uses)				
Capital contributions	<u>-</u>	<u>-</u>	<u>1,033,856</u>	<u>1,033,856</u>
Net changes in fund balance	(12,238,755)	(12,238,755)	(11,370,587)	868,168
Fund balance - beginning of year	<u>12,238,755</u>	<u>12,238,755</u>	<u>12,238,755</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868,168</u>	<u>\$ 868,168</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Debt Service Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 11,500,000	\$ 11,500,000	\$ 10,343,616	\$ (1,156,384)
Investment earnings (losses)	150,000	150,000	98,922	(51,078)
Total revenues	<u>11,650,000</u>	<u>11,650,000</u>	<u>10,442,538</u>	<u>(1,207,462)</u>
Expenditures				
Debt service				
Principal	3,939,120	3,939,120	5,854,120	(1,915,000)
Interest	5,410,910	5,410,910	5,386,509	24,401
Other fees	-	-	7,200	(7,200)
Agent fees	18,000	18,000	18,000	-
Total debt service expenditures	<u>9,368,030</u>	<u>9,368,030</u>	<u>11,265,829</u>	<u>(1,897,799)</u>
Excess (deficiency) of revenues over expenditures	2,281,970	2,281,970	(823,291)	(3,105,261)
Other financing sources (uses)				
Transfers in	46,280	46,280	46,279	(1)
Net changes in fund balance	2,328,250	2,328,250	(777,012)	(3,105,262)
Fund balance - beginning of year	<u>9,628,425</u>	<u>9,628,425</u>	<u>9,628,425</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,956,675</u>	<u>\$ 11,956,675</u>	<u>\$ 8,851,413</u>	<u>\$ (3,105,262)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Public Library Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 22,000	\$ 22,000	\$ 30,269	\$ 8,269
Intergovernmental				
State grants	-	-	1,850	1,850
County aid	919,570	919,570	919,568	(2)
Fines	65,000	65,000	73,183	8,183
Investment earnings	250	250	2,862	2,612
Miscellaneous	98,500	98,500	68,393	(30,107)
Total revenues	<u>1,105,320</u>	<u>1,105,320</u>	<u>1,096,125</u>	<u>(9,195)</u>
Expenditures				
Culture and recreation				
Public library				
Personnel	1,059,910	1,059,910	1,003,178	56,732
Maintenance	137,450	137,450	140,823	(3,373)
Supplies	485,400	485,400	486,675	(1,275)
Other	64,600	64,600	56,103	8,497
Capital	-	-	3,404	(3,404)
Total public library expenditures	<u>1,747,360</u>	<u>1,747,360</u>	<u>1,690,183</u>	<u>57,177</u>
Excess (deficiency) of revenues over expenditures	(642,040)	(642,040)	(594,058)	47,982
Other financing sources (uses)				
Transfers in	<u>642,040</u>	<u>642,040</u>	<u>556,610</u>	<u>(85,430)</u>
Net changes in fund balance	-	-	(37,448)	(37,448)
Fund balance - beginning of year	<u>38,267</u>	<u>38,267</u>	<u>38,267</u>	<u>-</u>
Fund balance - end of year	<u>\$ 38,267</u>	<u>\$ 38,267</u>	<u>\$ 819</u>	<u>\$ (37,448)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Shiloh Museum Board Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State grants	\$ -	\$ -	\$ 15,315	\$ 15,315
Fees and permits				
Fees and memberships	22,000	22,000	20,762	(1,238)
Charges for goods and services	7,000	7,000	6,955	(45)
Investment earnings (losses)	250	250	(300,216)	(300,466)
Miscellaneous	10,100	10,100	41,934	31,834
Total revenues	<u>39,350</u>	<u>39,350</u>	<u>(215,250)</u>	<u>(254,600)</u>
Expenditures				
Culture and recreation				
Shiloh museum				
Personnel	350	350	-	350
Maintenance	1,500	1,500	4,955	(3,455)
Supplies	4,900	4,900	5,679	(779)
Other	23,100	23,100	35,428	(12,328)
Capital	9,500	9,500	53,696	(44,196)
Total shiloh museum expenditures	<u>39,350</u>	<u>39,350</u>	<u>99,758</u>	<u>(60,408)</u>
Excess (deficiency) of revenues over expenditures	-	-	(315,008)	(315,008)
Other financing sources (uses)				
Transfers in	-	-	12,196	12,196
Net changes in fund balance	-	-	(302,812)	(302,812)
Fund balance - beginning of year	<u>1,115,317</u>	<u>1,115,317</u>	<u>1,115,317</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,115,317</u>	<u>\$ 1,115,317</u>	<u>\$ 812,505</u>	<u>\$ (302,812)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – District Court Costs Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Fees and permits				
Filing fees	\$ 100,000	\$ 100,000	\$ 105,960	\$ 5,960
Installment plan fees	38,500	38,500	39,838	1,338
Intergovernmental				
County aid	74,520	74,520	74,520	-
Investment earnings	2,500	2,500	10,084	7,584
Miscellaneous	150	150	190	40
Total revenues	<u>215,670</u>	<u>215,670</u>	<u>230,592</u>	<u>14,922</u>
Expenditures				
General government				
Court costs				
Personnel	616,530	616,530	591,525	25,005
Maintenance	4,250	4,250	1,703	2,547
Supplies	22,800	22,800	19,751	3,049
Other	14,100	14,100	9,292	4,808
Total court costs expenditures	<u>657,680</u>	<u>657,680</u>	<u>622,271</u>	<u>35,409</u>
Excess (deficiency) of revenues over expenditures	(442,010)	(442,010)	(391,679)	50,331
Other financing sources (uses)				
Transfers in	<u>442,010</u>	<u>442,010</u>	<u>435,160</u>	<u>(6,850)</u>
Net changes in fund balance	-	-	43,481	43,481
Fund balance - beginning of year	<u>148,027</u>	<u>148,027</u>	<u>148,027</u>	-
Fund balance - end of year	<u>\$ 148,027</u>	<u>\$ 148,027</u>	<u>\$ 191,508</u>	<u>\$ 43,481</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Parks Activity Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Charges for services				
Activity fees	\$ 150,000	\$ 150,000	\$ 139,902	\$ (10,098)
Investment earnings	500	500	1,143	643
Miscellaneous	<u>17,500</u>	<u>17,500</u>	<u>28,306</u>	<u>10,806</u>
Total revenues	<u>168,000</u>	<u>168,000</u>	<u>169,351</u>	<u>1,351</u>
Expenditures				
Culture and recreation				
Parks activity				
Personnel	93,620	93,250	123,323	(30,073)
Supplies	15,000	15,000	12,402	2,598
Maintenance	18,200	18,200	6,706	11,494
Capital	<u>20,000</u>	<u>65,000</u>	<u>18,086</u>	<u>46,914</u>
Total parks activity expenditures	<u>146,820</u>	<u>191,450</u>	<u>160,517</u>	<u>30,933</u>
Net changes in fund balance	21,180	(23,450)	8,834	32,284
Fund balance - beginning of year	<u>45,465</u>	<u>45,465</u>	<u>45,465</u>	<u>-</u>
Fund balance - end of year	<u>\$ 66,645</u>	<u>\$ 22,015</u>	<u>\$ 54,299</u>	<u>\$ 32,284</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Municipal Airport Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Rental fees	\$ 230,030	\$ 230,030
Fuel flowage fees	50,000	50,000
Other service fees	11,620	11,620
Total operating revenues	291,650	291,650
Operating expenses		
Personnel	90,970	90,970
Maintenance	48,650	48,650
Supplies	58,000	58,000
Other	96,000	96,000
Depreciation	-	-
Total operating expenses	293,620	293,620
Operating income (loss)	(1,970)	(1,970)
Nonoperating revenues (expenditures)		
Gain on sale of assets	-	-
Capital expenditures	-	-
Net nonoperating revenues (expenditures)	-	-
Income (loss) before capital contributions and transfers	(1,970)	(1,970)
Capital grants and contributions	8,400	8,400
Changes in net assets	6,430	6,430
Net assets - beginning of year	4,860,895	4,860,895
Net assets - end of year	\$ 4,867,325	\$ 4,867,325

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
\$ 234,532	\$ -	\$ 234,532	\$ 4,502
41,524	-	41,524	(8,476)
11,620	-	11,620	-
<u>287,676</u>	<u>-</u>	<u>287,676</u>	<u>(3,974)</u>
93,263	-	93,263	(2,293)
51,298	-	51,298	(2,648)
57,873	-	57,873	127
96,932	-	96,932	(932)
218,738	(218,738)	-	-
<u>518,104</u>	<u>(218,738)</u>	<u>299,366</u>	<u>(5,746)</u>
<u>(230,428)</u>	<u>218,738</u>	<u>(11,690)</u>	<u>(9,720)</u>
1,300	-	1,300	1,300
-	(74,806)	(74,806)	(74,806)
<u>1,300</u>	<u>(74,806)</u>	<u>(73,506)</u>	<u>(73,506)</u>
(229,128)	143,932	(85,196)	(83,226)
<u>31,823</u>	<u>-</u>	<u>31,823</u>	<u>23,423</u>
(197,305)	143,932	(53,373)	(59,803)
<u>4,860,895</u>	<u>4,860,895</u>	<u>4,860,895</u>	<u>-</u>
<u>\$ 4,663,590</u>	<u>\$ 5,004,827</u>	<u>\$ 4,807,522</u>	<u>\$ (59,803)</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Aquatic Center Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	\$ 170,000	\$ 170,000
Concessions	6,000	6,000
Rental fees	2,000	2,000
Other service fees	-	-
Total operating revenues	178,000	178,000
Operating expenses		
Personnel	115,440	115,440
Maintenance	73,000	73,000
Supplies	46,300	46,300
Other	4,700	4,700
Depreciation	-	-
Total operating expenses	239,440	239,440
Operating income (loss)	(61,440)	(61,440)
Nonoperating revenues (expenditures)		
Contributions	-	-
Interest income	10,000	10,000
Capital expenditures	(25,000)	(25,000)
Net nonoperating revenues (expenditures)	(15,000)	(15,000)
Changes in net assets	(76,440)	(76,440)
Net assets - beginning of year	2,797,739	2,797,739
Net assets - end of year	\$ 2,721,299	\$ 2,721,299

<u>Actual</u> <u>GAAP Basis</u>	<u>Adjustments to</u> <u>Budget Basis</u>	<u>Actual</u> <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 191,192	\$ -	\$ 191,192	\$ 21,192
8,218	-	8,218	2,218
1,761	-	1,761	(239)
589	-	589	589
<u>201,760</u>	<u>-</u>	<u>201,760</u>	<u>23,760</u>
106,610	-	106,610	8,830
72,190	-	72,190	810
36,360	-	36,360	9,940
4,416	-	4,416	284
186,002	(186,002)	-	-
<u>405,578</u>	<u>(186,002)</u>	<u>219,576</u>	<u>19,864</u>
(203,818)	186,002	(17,816)	43,624
14	-	14	14
13,611	-	13,611	3,611
-	-	-	25,000
<u>13,625</u>	<u>-</u>	<u>13,625</u>	<u>28,625</u>
(190,193)	186,002	(4,191)	72,249
<u>2,797,739</u>	<u>2,797,739</u>	<u>2,797,739</u>	<u>-</u>
<u>\$ 2,607,546</u>	<u>\$ 2,983,741</u>	<u>\$ 2,793,548</u>	<u>\$ 72,249</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Parks Soccer Program Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	\$ 95,000	\$ 95,000
Operating expenses		
Personnel	42,420	42,420
Maintenance	7,000	7,000
Supplies	20,200	20,200
Other	15,500	15,500
Depreciation	-	-
Total operating expenses	85,120	85,120
Operating income (loss)	9,880	9,880
Nonoperating revenues (expenditures)		
Contributions	5,600	5,600
Interest income	500	500
Capital expenditures	(15,000)	(15,000)
Net nonoperating revenues (expenditures)	(8,900)	(8,900)
Changes in net assets	980	980
Net assets - beginning of year	135,195	135,195
Net assets - end of year	\$ 136,175	\$ 136,175

<u>Actual</u> <u>GAAP Basis</u>	<u>Adjustments to</u> <u>Budget Basis</u>	<u>Actual</u> <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 106,806	\$ -	\$ 106,806	\$ 11,806
72,863	-	72,863	(30,443)
5,866	-	5,866	1,134
25,048	-	25,048	(4,848)
16,232	-	16,232	(732)
4,130	(4,130)	-	-
<u>124,139</u>	<u>(4,130)</u>	<u>120,009</u>	<u>(34,889)</u>
<u>(17,333)</u>	<u>4,130</u>	<u>(13,203)</u>	<u>(23,083)</u>
5,596	-	5,596	(4)
1,942	-	1,942	1,442
-	(13,925)	(13,925)	1,075
<u>7,538</u>	<u>(13,925)</u>	<u>(6,387)</u>	<u>2,513</u>
<u>(9,795)</u>	<u>(9,795)</u>	<u>(19,590)</u>	<u>(20,570)</u>
<u>135,195</u>	<u>135,195</u>	<u>135,195</u>	<u>-</u>
<u>\$ 125,400</u>	<u>\$ 125,400</u>	<u>\$ 115,605</u>	<u>\$ (20,570)</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Sanitation Fund**

**For the Year Ended December 31, 2008**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Bulky waste fees	\$ 104,400	\$ 104,400
Operating expenses		
Personnel	60,450	60,450
Maintenance	1,000	1,000
Supplies	6,500	6,500
Other	1,950	1,950
Depreciation	-	-
Total operating expenses	69,900	69,900
Operating income (loss)	34,500	34,500
Nonoperating revenues (expenditures)		
Interest income	500	500
Changes in net assets	35,000	35,000
Net assets - beginning of year	110,175	-
Net assets - end of year	\$ 145,175	\$ 35,000

<u>Actual</u> <u>GAAP Basis</u>	<u>Adjustments to</u> <u>Budget Basis</u>	<u>Actual</u> <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 102,980	\$ -	\$ 102,980	\$ (1,420)
60,649	-	60,649	(199)
1,220	-	1,220	(220)
10,601	-	10,601	(4,101)
1,007	-	1,007	943
<u>10,100</u>	<u>(10,100)</u>	<u>-</u>	<u>-</u>
<u>83,577</u>	<u>(10,100)</u>	<u>73,477</u>	<u>(3,577)</u>
19,403	10,100	29,503	(4,997)
<u>343</u>	<u>-</u>	<u>343</u>	<u>(157)</u>
19,746	10,100	29,846	(5,154)
<u>110,175</u>	<u>-</u>	<u>110,175</u>	<u>110,175</u>
<u>\$ 129,921</u>	<u>\$ 10,100</u>	<u>\$ 140,021</u>	<u>\$ 105,021</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Bluff Cemetery Fund**

**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
Revenues				
Charges for services				
Cemetery lots	\$ 40,000	\$ 40,000	\$ 31,480	\$ (8,520)
Investment earnings	<u>21,000</u>	<u>21,000</u>	<u>22,496</u>	<u>1,496</u>
Total revenues	<u>61,000</u>	<u>61,000</u>	<u>53,976</u>	<u>(7,024)</u>
Expenditures				
General government				
Cemetery				
Personnel	27,830	27,830	31,874	(4,044)
Supplies	8,100	8,100	18,684	(10,584)
Maintenance	1,200	1,200	350	850
Other	1,200	1,200	176	1,024
Capital	<u>15,000</u>	<u>15,000</u>	-	<u>15,000</u>
Total cemetery expenditures	<u>53,330</u>	<u>53,330</u>	<u>51,084</u>	<u>2,246</u>
Net changes in fund balance	7,670	7,670	2,892	(4,778)
Fund balance - beginning of year	<u>624,992</u>	<u>624,992</u>	<u>624,992</u>	-
Fund balance - end of year	<u>\$ 632,662</u>	<u>\$ 632,662</u>	<u>\$ 627,884</u>	<u>\$ (4,778)</u>

See accompanying notes to the basic financial statements.

**Notes to Supplementary Information****December 31, 2008****Stewardship, Compliance and Accountability***Excess of Expenditures Over Appropriations*

For the year ended December 31, 2008, expenditures exceeded appropriations in the 2006 Street Improvement Bonds Construction Fund by \$3,368,067, in the Baseball Stadium Construction Fund by \$73,341 and in the Debt Service Fund by \$1,897,799. In addition, expenditures exceeded appropriations in the Shiloh Museum Board Fund by \$60,408, in the Municipal Airport Fund by \$5,746 and the Parks Soccer Program Fund by \$34,889. These overexpenditures were primarily funded by available fund balances. The Shiloh Museum Board Fund also received a state grant in the amount of \$15,315 to help fund the renovation of the Shiloh Meeting Hall. The City Council did not make any supplementary appropriations related to these expenditures.

*Deficit Fund Balance*

The Community Development Block Grant Fund had a deficit fund balance of \$11,480 as of December 31, 2008. This was due to accrued liabilities at year end for which requests for reimbursement had not yet been submitted, and was reimbursed with grant revenues in January 2008.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and City Council  
City of Springdale, Arkansas  
Springdale, Arkansas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, as listed in the accompanying table of contents, of the City of Springdale, Arkansas, (the "City") as of and for the year ended December 31, 2008, which collectively comprise its basic financial statements, and have issued our report thereon dated September 28, 2009. We audited the financial statements of City of Springdale, Arkansas Water and Sewer Commission as of and for the year ended September 30, 2008, which represents 100% of the assets and revenues of the component unit columns. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated September 28, 2009.

This report is intended solely for the information and use of the Honorable Mayor, City Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*FROST, PLLC*

Certified Public Accountants

Little Rock, Arkansas  
September 28, 2009

## Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2008

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-08-MC-05-002	\$ <u>461,832</u>
<b>U.S. Department of Transportation</b>			
Passed through Arkansas State Police			
Selective Traffic Enforcement Project	20.600	OP-2008-03-02-32	23,466
Selective Traffic Enforcement Project	20.600	OP-2009-03-02-29	<u>11,772</u>
			<u>35,238</u>
<b>U.S. Department of Homeland Security</b>			
Emergency Preparedness & Response		EMW-2004-FG	
Directorate's Assistance to Firefighters Grant Program	97.044	03518	195,364
Federal Emergency Management Agency			
Passed through Washington County, Arkansas			
Emergency Protective Measures		2008 AR DR 1751	3,010
Roads and Bridges		2008 AR DR 1751	<u>2,143</u>
			<u>200,517</u>
<b>U.S. Department of Justice</b>			
Drug Enforcement Administration			
Organized Crime Drug Enforcement Task Force		SE-ARW-059	1,952
Office of Justice Programs			
Bulletproof Vest Partnership Program	16.607		6,880
Passed through the City of Fayetteville, Arkansas			
Edward Byrne Memorial Justice Assistance Grant Program			
2008 Justice Assistance - Local Solicitation	16.738	2008-F4196-AR-DJ	7,307
2007 Justice Assistance - Local Solicitation	16.738		7,231
Passed through Benton County, Arkansas Sheriff's Office			
Targeting Violent Crime Initiative		2007-DD-BX-0618	23,439
Passed through the Arkansas Department of Finance & Administration			
Office of Intergovernmental Services		2006-AH-FX-0054	
Underage Alcohol Enforcement Compliance Checks		MG06-06-07	<u>1,181</u>
			<u>47,990</u>

See accompanying notes to the basic financial statements and to the schedule of expenditures of federal and state awards.

## Schedule of Expenditures of Federal Awards (cont.)

For the Year Ended December 31, 2008

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Treasury</b>			
<b>Local, County and State Law</b>			
Enforcement Agency Customs	N/A	N/A	\$ 4,643
<b>Federal Bureau of Investigation</b>			
Joint Terrorism Task Force of Arkansas	N/A	N/A	2,078
Drug Enforcement Administration Task Force			<u>7,908</u>
			<u>14,629</u>
Total expenditures of federal awards			<u>\$ 760,206</u>

## Schedule of Expenditures of State Awards

For the Year Ended December 31, 2008

<u>State Awards</u>	<u>Grantor Number</u>	<u>State Expenditures</u>
<b>Arkansas State Police</b>		
Child Passenger Protection Fund	OP-2009-03-02-29	\$ 4,000
Internet Crimes Against Children	OP-2008-03-02-32	<u>9,529</u>
		<u>13,529</u>
<b>Arkansas Department of Arts &amp; Humanities</b>		
Library Grant	08W-0021785	180
Library Grant - Spanish	N/A	<u>100</u>
		<u>280</u>
<b>Arkansas Department of Aeronautics</b>		
State Airport Aid Grant (taxiway lighting)	2499-07	<u>24,023</u>
<b>Arkansas Agriculture Department</b>		
Arkansas Forestry Commission Grant	UCF08-15	<u>2,491</u>
<b>Department of Arkansas Heritage</b>		
Historic Preservation Grant - Shiloh Meeting Hall	08-HPRG-09	95,448
Historic Preservation Grant - Shiloh Meeting Hall Roof	09-HPRG-11	15,315
Heritage Grant - General Store Roof	09-HG-006	<u>5,924</u>
		<u>116,687</u>
<b>Arkansas Department of Emergency Management</b>		
Emergency Response Assistance - Hurricane Gustave Passed through Washington County, Arkansas	EO 08-19	37,071
Emergency Protective Measures	2008 AR DR1751	502
Roads and Bridges	2008 AR DR1751	<u>357</u>
		<u>37,930</u>
<b>Passed through Area Agency on Aging, Inc.</b>		
Elderly Taxi Program - Cigarette Tax		<u>4,185</u>
Total expenditures of state awards		<u>\$ 199,125</u>
<u>Other Assistance</u>	<u>Grantor Number</u>	<u>Other Expenditures</u>
DLEP - Passed through the City of Fayetteville, Arkansas	N/A	<u>\$ 33,000</u>

See accompanying notes to the basic financial statements and to the schedule of expenditures of federal and state awards.

## Notes to Schedule of Expenditures of Federal and State Awards

For the Year Ended December 31, 2008

**Scope of Audit Pursuant to OMB Circular A-133**

All federal financial award programs of the City of Springdale, Arkansas, (the "City") are included in the scope of the OMB Circular A-133 audit ("Single Audit"). For purposes of this schedule, awards include those received from other agencies, the original source of which was a federal agency.

**Summary of Significant Accounting Policies***Basis of Accounting and Accounting Policies*

The City's grant funds are accounted for on the modified accrual (governmental and special revenue) and the accrual (enterprise) bases of accounting. Under the modified accrual basis, grant revenues are recognized when eligibility requirements are met, and expenditures are recorded when authorized program costs are incurred. For the accrual basis, grant revenues are recorded when earned, and expenses are recorded at the time the liabilities are incurred.

The accounting policies of the City conform to accounting principles generally accepted in the United States for local government units as prescribed by GASB.

The City is the recipient of federal and state grant funds. The grant programs are administered by various departments with the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of the grants.

*Subrecipients*

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount</u>
Community Development Block Grant	14.218	Bread of Life	\$ 30,000
		EOA Housing	10,000
		Community Clinic	37,244
		Senior Center	2,208
		Rebuilding Together	<u>30,000</u>
			<u>\$ 109,452</u>